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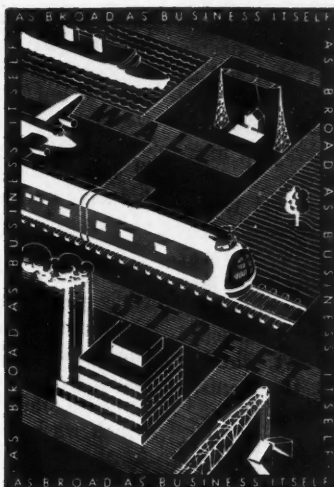
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The Trend of Events

MOBILIZING LABOR . . . Although details are yet to be worked out, all signs point to the fact that labor will soon be mobilized for war. At the same time warnings have been issued that the Selective Service Bureau plans to draft young men, regardless of occupation, except in rare instances, and industry had better prepare to replace these losses by hiring older men and women.

On the surface this sounds like good logic. It appears to be "just what the doctor ordered." But, unfortunately it isn't quite that simple. The first difficulty is the fact that Government agencies can't seem to agree just how many more persons will be required in the war effort; how many new employees, as well as replacements for those called to the colors. Scarcely a week passes before some new figure is released, nearly always in variance with previous utterances. Recently Chairman McNutt of the War Manpower Commission, declared that about 7,500,000 persons were at present employed in war industry and that perhaps 13,000,000 more will be required.

In face of these, and other estimates of war needs, it is interesting to note that in November, 1918, more than a year after we entered the first World War, there were 2.23 American industrial war workers for each man in our armed forces, and, last February, two months after

we entered the present war, there were 2.56. Since that time the number of men in our armed forces has increased tremendously. The number of war workers has also increased; but whether the ratio is the same, or whether it too has increased, is still undisclosed.

It is true that a mechanized war requires more equipment, more men behind the men behind the guns; but there seems to be a tendency, and with justification, among industrial leaders, to take all predictions of potential manpower needs with a grain of salt. Until definite figures are released; until various Government agencies can agree upon our needs and until industry is certain just what inroads the draft and other emergency calls will make on its personnel, it can scarcely be expected to know how to plan its adjustments.

It costs money to train war workers, and industry isn't keen on spending money to train workers it may never need. Let's get together on this problem.

BUNGLED RATIONING . . . The American people will willingly and cheerfully accept the rationing of anything—if the need is clearly demonstrable and if the resulting distribution is equitable. There has been little or no opposition to the sugar rationing—although the real need for it is increasingly open to question—because

BUSINESS, FINANCIAL and INVESTMENT COUNSELORS · 1907—"Over Thirty-Four Years of Service"—1942

everyone gets the same amount and because the degree of "sacrifice" or personal inconvenience involved is trivial. The gasoline rationing—and the political maneuvering over the question of making it nation-wide—is a wholly different story and not a happy one.

This story began with the Ickes fanfare over a non-existent gasoline shortage in the east a year ago. That episode, and others since, raised a suspicion in many minds that some officials at Washington think the best thing about rationing is that it will make the people "war conscious." This would be funny if it were not so insulting to one's intelligence. The fact is that in every aspect of the war effort, public opinion has been—and remains—well ahead of the collective Washington mentality.

In any rationing, the people above all expect frankness, fairness and at least reasonably intelligent planning by the responsible public officials. The present makeshift gasoline rationing—unquestionably necessary—was so loosely planned as to make inevitable the widespread and inequitable abuses which have followed. So now it will be necessary to make a fresh start, whether or not the system is extended throughout the country to save tires!

Millions of people will again have to take time off to stand in line for re-registration for some different kind of gasoline ration card, allowing limits of consumption which still remain unspecified. The blame for this bungling rests squarely on the Federal bureaucrats involved, not on the local school teachers or rationing boards. It is too bad that our officials have to learn by amateurish experimentation in this matter, when they have ample British experience to draw on. We can only hope that the second try will be carefully thought through, and that it will be frankly and fully explained to the public.

POST WAR PLANNING . . . Now is the time to prepare for the peace if the gains made in war industry are to be maintained, according to Carroll L. Wilson, director of the Bureau of Foreign and Domestic Commerce, Department of Commerce, warning the National Federation of Sales Executives, how to avoid the debacle that occurred in 1929.

The really healthful aspect of this warning is that it was addressed to industry directly and asked industry to do its own planning. Here is a government official asking industry to plan its future economy rather than leave it entirely to the Government.

When he said "the post-war period will present to private business not only another challenge, but an opportunity to prove that our competitive system works, that the democratic method of leaving as much initiative as possible in the hands of individual proprietors or managers is sound and that reasonable profits to owners are the result of filling a need of the people for more and more goods at lower and lower prices," he summed up the entire philosophy of American business. He warned business that it is up to business to set the stage

now for the drama to be enacted after the war; to prepare to reconvert with a minimum waste of time; to seek new markets; new methods; new materials and new ideas to insure uninterrupted continuance of the American way of life—the continuation of private enterprise.

Business and industry have been warned. They know that when peace comes it will come with lightning-like suddenness, no matter how long a time may elapse before that joyous day. They know that if they are caught unprepared they will not only lose all they have gained; but, what is infinitely worse, they will pave the way for Government regulation and a planned economy along Government, rather than privately directed lines. It is a timely warning, Mr. Wilson. We feel certain industry and business will take heed, and sincerely hope Government will place no obstacles in their path.

THE DROP IN TRADE . . . In April total national income payments increased to a level 25 per cent higher than in April of 1941. The chief reason for the gain—as the Department of Commerce needlessly reminds us—was the rise in industrial and Government payrolls and in farm income. Here is mass buying power the like of which we have never known before—yet retail trade in April was slightly lower than a year ago. Moreover, it has declined further in more recent weeks. For the last week in May, department store sales were 11 per cent under a year ago, according to the Reserve Board index without seasonal adjustment.

There are several reasons for this seeming paradox. In the first place, the non-availability of "hard goods" has been increasingly reflected in the over-all figures of retail trade. Thus, according to Department of Commerce estimate, April sales of stores handling durable goods exclusively were down about 42 per cent from a year ago, while sales of stores handling non-durable goods were up some 14 per cent. Since many department stores handle both types, reduced volume in durables probably accounted for all or most of 11 per cent decline reported by the Reserve Board for the final week of May.

Moreover, before the application of retail price ceilings, consumers bought in waves rather than in close ratio to rising income. There was a buying stampede in August-September of last year, followed by a corrective pause in the autumn; and there was another period of heavy buying in the first three months of this year when talk of price inflation and shortages was rampant. The present correction no doubt would have developed anyway, but price ceilings set the time and probably contributed to the severity of the downturn in trade. Consumers reason: The price will be the same a month from now, so what's the hurry about buying?

Assuming price ceilings continue effective, retail and wholesale buying will gradually fall into close alignment with trend of national income payments, which means fewer and smaller fluctuations. Despite provision for higher taxes and war bond purchases, income available for consumer expenditure will continue to increase.

As I See It!

BY CHARLES BENEDICT

"THE SCHEMES OF MICE AND MEN"

HISTORY will record that Germany defeated herself by irrational scheming, for an Axis victory today would not mean a victory for Germany. It would mean a victory for Japan, which would spell economic disaster for Germany.

Recognition of this truth, at this late date, is responsible for the weakening of Germany's will to fight. For they realize that Japan, in control of the vast raw material resources of the Far East—with easy access to unlimited cheap labor and highly mechanized, would be in a position to dominate trade and that Germany would be unable to compete with Nippon in the markets of the world.

This is how matters stand for Germany after three years of war—despite the most careful and detailed planning and conquests which brought nearly all of Europe under the Nazi yoke. The inevitable consequence—when man pits his will against the infinite.

In the career of Adolf Hitler we have an outstanding case history of the failure of faulty thinking even when accompanied by the greatest capacity and power. His was the most colossal scheme ever undertaken to defraud mankind. First he sought by psychological sorcery to hypnotize the world into giving him its soul and its treasures without a struggle. Failing this, he employed the blitzkrieg which wrought such disorganization that it destroyed the very things he was fighting for—with bankruptcy nullifying his conquests.

Because there is no wisdom in his ideas, his efforts continuously produce situations quite different from those contemplated by him. Evidently it takes more than a strong will and hypnotic power to win against the natural laws which are the only sound basis for man's conduct.

His writings in *Mein Kampf* have proven to be the vaporings of a diseased mind—for events have made it clear that, despite Hitler, the law of the jungle is not suited to the conduct of affairs among men in a civilized world,—that progress can only be made where there is cooperation, harmony, and the kind of thinking that takes justice for the other fellow into consideration. That ruthlessness brings only disintegration, making subsequent failure inevitable.

But then, Nazi misconceptions are legion! Their highly vaunted efficiency in the realm of psychology is another delusion, for events clearly show that the German scheme has failed mainly because of unwillingness to take the psychology of nations or people into consideration. Thus, they fatally misjudged the reactions

of the English and the Americans to their behavior.

Their ego, too, blinds them to the true facts, causing them to make serious errors continually. The outstanding example at the moment is the reasoning which blinded them to Japan's capacity to wage war. It is now evident that German calculations had not taken into consideration the possibility that Nippon would beat her to the conquests in the Pacific and the East Indies. Nor had they conceived the possibility that Japanese armies could arrive in India before their own. It is this miscalculation which is defeating Germany today.

After all, the Nazis launched this war to win economic world supremacy and now the war-weary German people who have risked everything on the throw of Hitler's dice, find themselves in the position of "heads you win, tails I lose." **VICTORY** means economic disaster and a drastic decline in their standard of living as they cannot compete with Japan except on a similar low standard. **DEFEAT** spells the dismemberment of Germany. Is it a wonder, coming on top of a disastrous winter in Russia, that this (Please turn to page 257)



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Gauging Market's Recovery Prospects

We are optimistic on the war outlook and our technical indicators do not yet give danger signals, but we think near-term probabilities do not warrant purchases at the present rally level of 104-105, Dow Jones.

BY A. T. MILLER

Summary of the Fortnight: More favorable war news facilitated rise of the Dow-Jones industrial average to new rally high by a decisive margin. So-called "peace" and "conversion" stocks continued to lead the movement. Investment sentiment became more hopeful than at any time in many months.

UNQUESTIONABLY there has been a very important change for the better in the attitude of investors. Up to the end of April there had been persistent—though light volume—pressure of selling based partly on uneasiness as regards military contingencies, partly and more effectively on the prospective impact of radically higher taxes on corporate earnings.

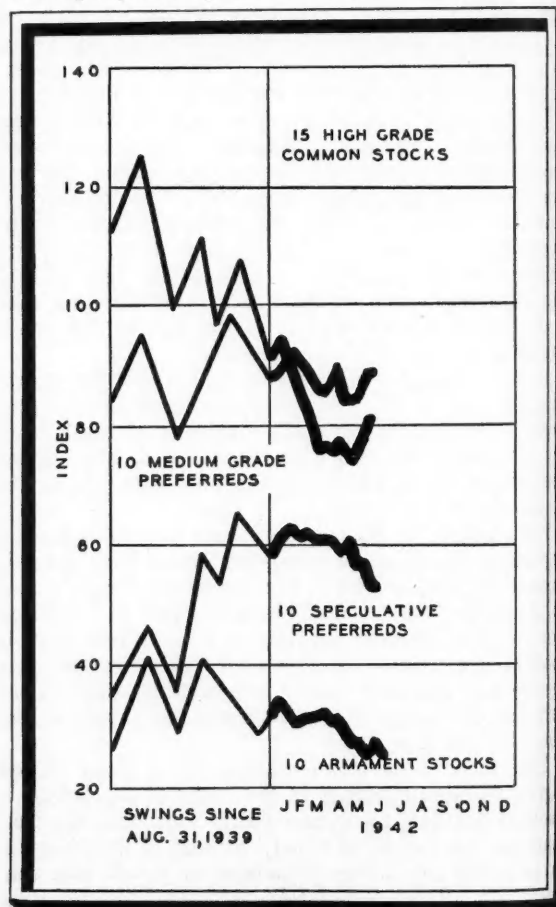
To the more hopeful feeling generated by evidence of our fast mounting arms production, there has now been added some importantly favorable news from the widespread war fronts. This includes a major step-up in the intensity and effectiveness of the British bombing of German cities; in the Midway area, a second major Japanese reverse in the air-naval warfare of the Pacific, the first having been the Coral Sea action some weeks ago; an apparently successful stand against the latest German offensive in Libya; and continued stalemate on the Russian fronts.

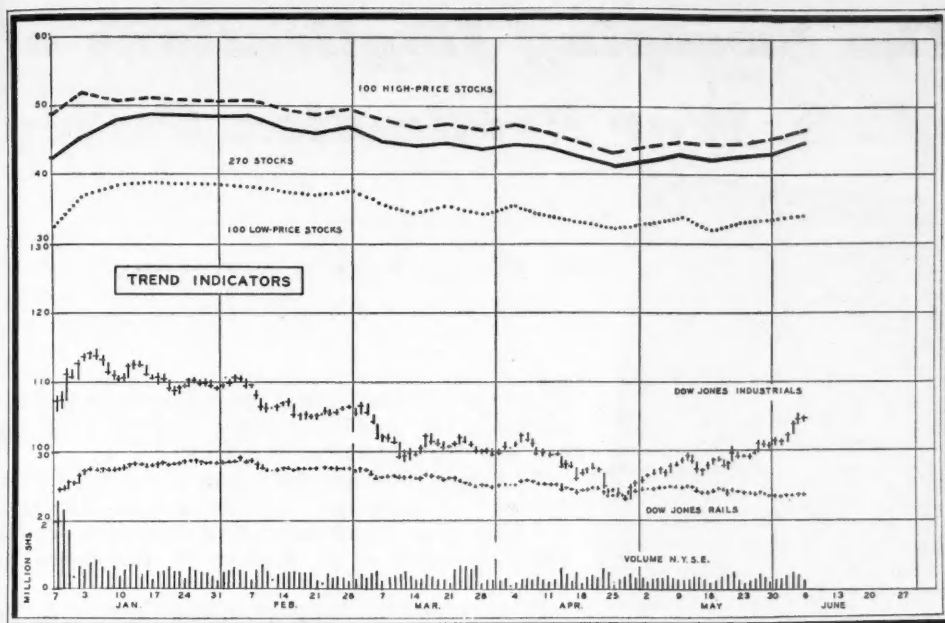
It is certainly open to question whether there is yet any tangible basis to justify conviction that Germany is doomed to final defeat within the relatively early future, say within the next twelve months—although that is a possibility. On the other hand, it is equally open to question whether the present better investment demand for equities is based upon any specific consensus as to how many more months, or years, the war may last. Perhaps it should suffice to say that, for the present, the average investor views the war-and-tax prospect with much less fear, much more equanimity and hope. Coming events of this crucial summer may very well strengthen this incipient confidence—but it must be admitted that the war has not yet turned in our favor in any really decisive manner. The possibility of periods of considerably less favorable war news can not be dismissed from the reckoning.

Excepting the British bombing offensive—which may or may not prove a decisive factor in paving the road to ultimate victory over Germany—all other favorable recent war news has been defensive in nature. It was a

Japanese naval-air attack that we broke up at Midway and Dutch Harbor, not a successful U. S. offensive. The Japanese still hold everything they previously took, and are still on the offensive. Likewise the tentative British success in Libya is a defensive success. And, of course, Russia's position also remains defensive. We can not know the full significance of the absence up to this writing of a major German offensive against either Russia or England. There is still time for it to develop over the next few weeks.

Nevertheless it can only be much increased confidence in the prospect of peace within a foreseeable future—





that as they "get up there" holders with profits and potential buyers are likely to say to themselves: "Well, after all, we have not yet won the war. And the tax prospect is less than a complete certainty. Maybe the combined normal and surtax will be only 40 per cent, but then again it might turn out to be 45 per cent when the last word is said. Furthermore, whether the pending taxes will really be the worst for the duration will probably depend upon the course of the

whether in one year or two years—that is inducing investors to appraise stocks on the basis of assumed average earning power over a period of years, rather than merely on the basis of war-time earnings. It is the apparent consensus that pending corporate tax proposals can be regarded as maximum or virtual maximum for the duration of the war; that, while taxes will be high for an indefinite time after the end of the war, as judged by pre-war standards, they will be lower than the rates now in sight; and that, on these assumptions, many "peace" and "peace or war" stocks are attractively priced.

On the whole, our own leaning is definitely toward the optimistic side. Our technical indicators, which signalled in the last week of April the probability of at least an intermediate recovery period, do not up to this writing give factual evidence of any adverse change in the underlying trend. Yet we feel inclined to inject a note of caution regarding any additional purchases at this time.

It is true that the market as a whole is still at a depressed level. Our weekly average of 270 issues, covering the bulk of market volume, has rallied only a bit over 5 per cent from its lowest point, against more than 12 per cent for the Dow-Jones industrial average. The backbone of the recovery has been provided by a minority of higher grade "peace" and "conversion" stocks. We take no exception to that. We prefer to see "quality" leadership in a recovery. But many of the recently favored issues—American Can, American Telephone, American Tobacco "B", Chrysler, General Electric, General Foods, General Motors, Sears, Roebuck, Woolworth, Montgomery Ward, General Mills, Beech-Nut Packing, Coca Cola and various others—have already advanced by from 17 to 38 per cent. The point we make is that this thin market can discount—and maybe over-discount—a lot of "early peace" in a relatively short time.

One knows that the issues which have been in the vanguard can not have an unlimited ceiling. One knows

war between now and autumn—and who really knows for sure about that?"

So we have a notion that demand for stocks will either have to broaden out fairly soon, to include many of the scores of those now lagging; or the Dow-Jones industrial average is likely to run into at least a minor reaction. Our tentative opinion is that the range of 104-106 Dow-Jones is likely to prove quite formidable; and that a worthwhile advance above that area over the near future would require the aid of much more decisively favorable war news than anything we have had to date. Thus, we consider the odds on the buying side now unattractive from a short term viewpoint.

It is our belief that the low in the Dow-Jones industrial average has been seen for this year; but naturally this can not be taken as a *certainty*. As a matter of fact, we would rather welcome a reaction as a test of the underlying stamina of the recovery trend. Naturally, one feels more confident of a hopeful market opinion if and when it stands up on something that qualifies as a real technical test, and there has, of course, been nothing that so qualifies since the present advance got started.

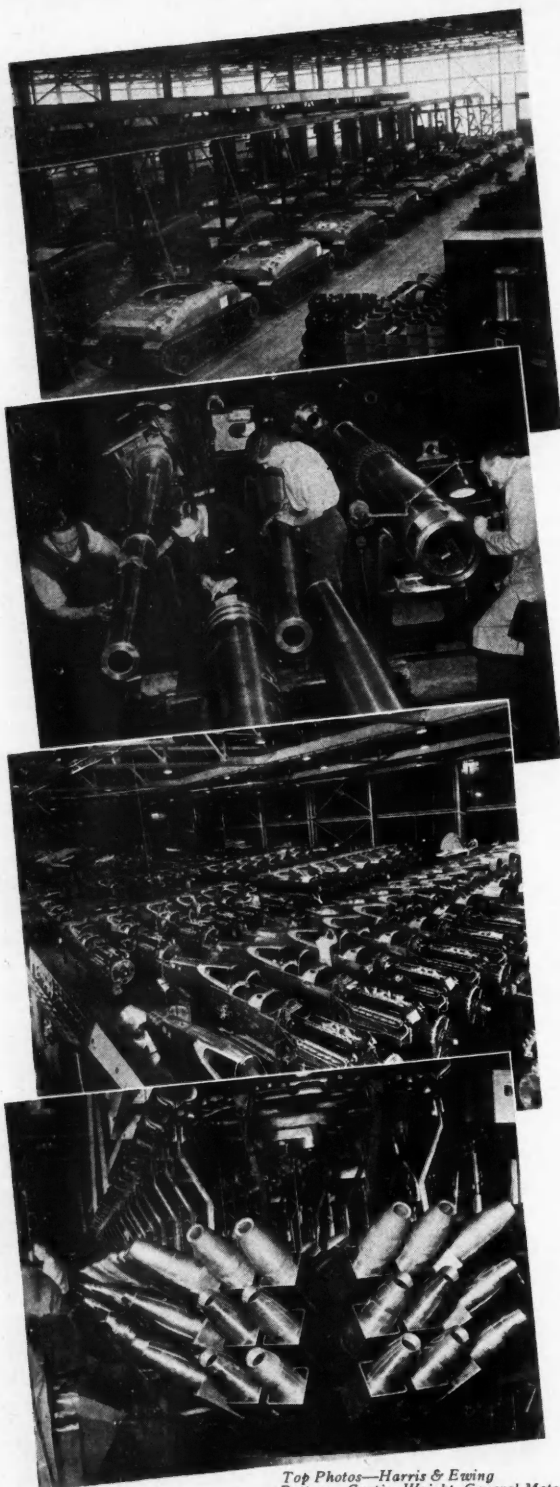
The present relative equanimity with which investors and traders look at the nearby tax legislation can not be considered an isolated psychological phenomenon. It, and practically all other considerations, must be regarded as conditioned by the week-to-week war news. When the war news is good, people feel better about taxes and everything else. When it is not good, they feel badly about everything, including taxes.

As a final note, remember that everybody wanted war stocks on and for a short time after Sept. 1, 1939. They recorded about 87 per cent of their maximum advance in three weeks time and all of it in ten weeks. It may well be that the present demand for peace stocks is less of a passing fancy. We hope it is.

Conclusion: We think it prudent to advise against purchases of stocks at this writing.—Monday, June 8.

The Sweeping Implications of Shift in U. S. War Production Policy

BY JOHN D. C. WELDON



Top Photos—Harris & Ewing
Bottom—Curtiss-Wright, General Motors

REDUCED to over-simplified terms, the sequence of our war effort may be likened to the development of any new industrial enterprise, as follows:

First stage: Building the factory and installing machinery. Second stage: Assembling materials supply and labor force. Third stage: Mass production. Fourth stage: Distribution of product to the consuming markets.

In our war production program there is, naturally, no clear-cut line of demarcation between these stages. They merge into each other and overlap. Thus, on the one hand we already have mass production of arms in a volume that would have seemed unbelievable a year ago, while on the other hand our total capacity for making arms will continue to be expanded for some time to come.

Nevertheless, a most significant shift of emphasis—carrying implications of great importance to investors and business men—is now being made. The original objective as regards total war plant construction is being radically limited, which means we are within sight of a ceiling on our over-all arms production facilities. Output of arms, though still far under the levels to be reached later, is proceeding in gratifying volume. Simultaneously, the most urgent emphasis shifts to—and the most formidable difficulties develop in—materials supply, skilled labor force, and transportation.

The reason for the shift is not in any sense a *complacent* satisfaction with the current output of arms nor with the prospective nearby output. On the contrary, the reason centers in the increasingly imperative need of converting the maximum possible volume of materials into the maximum possible volume of arms within the earliest possible time. If we continued the previously planned expansion of war plant, we would have a larger arms output for 1944 or 1945—provided there were enough raw materials available to feed the new plants, which is very dubious—than would otherwise be the case. But since shortage of materials is the biggest obstacle in the way of expanding arms output, we can get a larger arms volume in 1942 and 1943 by foregoing new plant expansion so far as possible. The less materials—especially steel and copper—and the less labor and transportation we use in building and equipping new production facilities, the more will be available to facilitate production from present plants and those scheduled for relatively early completion.

It was, of course, not to have been expected that an

effort so vast could be perfectly planned and co-ordinated. Looking back, it is easy to see by hindsight that needs for raw materials and ocean transport were underestimated; and that, partly as a result of not foreseeing the full proportions of the materials supply problem, the projected volume of *usable* manufacturing facilities was over-estimated.

Industry's Performance

Moreover, arms production in any given instance does not necessarily have an exact, predictable relationship to the number of square feet of factory space, the number or horsepower of installed machines, man-hours of labor or any other cut-and-dried formula. Beyond the minimum requirements for production there is a vast area within which the further expansion of output depends upon the scope and speed of technological innovation, improved operating methods and that super-effort exerted cooperatively by patriotic managers, engineers, foremen and workers.

The fact is that for the first time we are seeing what our production men—the ablest in the world—can do when given literally a free rein—freed of the many commercial and financial restrictions and inhibitions which necessarily attach to competitive, peace-time operation. The result has amazed most everybody—including even our best industrial minds.

Consider the following:

A few weeks ago Lt. Gen. Brehon B. Somervell, commanding the Army Service of Supply, revealed—without giving away the secret details—that, as a result of a radically new manufacturing technique, one shell manufacturing plant, which was already up to schedule by previously conceived standards, had increased its output rate by 7,000 per cent—in other words, *had learned how to make 70 shells in the time previously required to make one!*

The same source revealed that, largely due to improved methods, a single American plant would soon be turning out each month as many barrels for heavy guns as *all the ordnance plants in England had been able to make over the entire period of the war up to that date.*

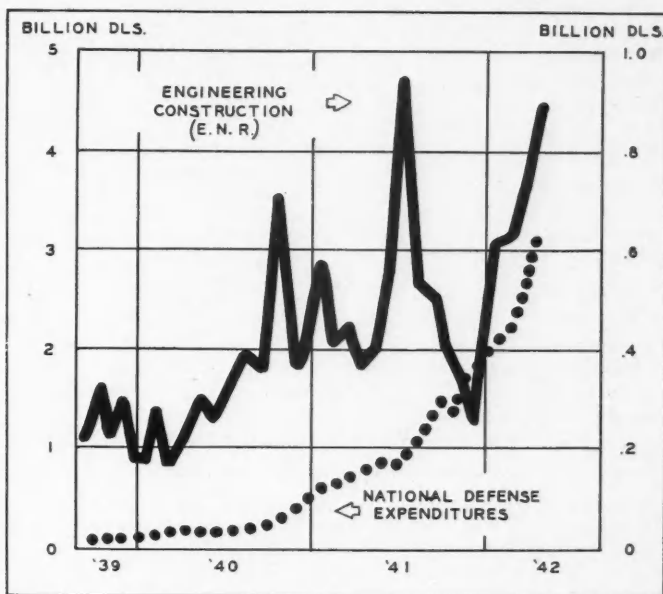
Of course, these are extreme, rather than typical examples. But they are extremes within a quite general trend. In scores of plants current production is reported running 50 to 100 per cent in excess of what had been expected at this stage.

That is something to cheer about and sing about—something for Hitler to view with deep dismay. But what it also means is a heavier-than-anticipated drain on materials. To turn back for a moment to the first example cited above: the new shell-making method does not give us more shells from a given quantity of metals, but merely gives us the shells within a shorter time. In short, in one day this plant would process 70 times as much metal as it had previously required with the older method.

The net result is that progress in fabrication and assembly of arms is fast outrunning expansion in mate-

rials supply. And this will continue to be the case. No doubt materials supply can be augmented importantly, by herculean effort, but on the whole there is no such possibility of magical technical innovation here as there is in the arms fabricating shop. Known deposits of copper will still have to be dug from the earth by known methods, and shipped by known forms of transport. And despite resort to every possible short-cut, the fact remains that it takes a huge outlay of materials, labor and time—the latter also of crucial importance—to expand our total steel-making capacity by as much as 10 per cent.

Such is the background of the basic decision recently announced by the War Production Board, without fanfare and with inadequate attention by the daily press. The policy is flexible. Naturally, if new war needs develop which can't be met by existing plants or those nearing completion, new plants will be built. Nevertheless the general objective is to cut down on plant con-



struction and expansion as far as practicable. Many scheduled projects will be dropped, probably including at least some plants that have already been started. The rule of thumb is reported to be: "Ditch it, if it can't be completed by early next year."

This change in the program happens to coincide with a major change in our thinking about the war, about our part in it and especially about the military time schedule. It is now realized by most people—and certainly by our Government—that *this year 1942 is the crucial year of the war.* Not crucial in the sense that the war may be won or lost this year—though the former is a *possibility*—but crucial in the sense that the successes or failures of our enemies between now and autumn will necessarily pre-ordain the subsequent course of the conflict, determining more than anything else whether we will be in a position (with respect to bases and allies) to put over the knock-out punch within one to two years at the most or only after a very long, very costly

and tremendously hard effort perhaps for many years.

The focal point of present U. S.-British offensive strategy is to start hitting Hitler *now* with all available force that can be effectively used, without waiting for development of optimum U. S. striking power—hit him hard and soon with the justifiable hope of reducing his chances of knocking out the Red Army on the East and pushing through to the oil resources of the Caucasus. That particular oil is even more important to the Russians than to Hitler. Without it, Hitler would still have substantial oil resources and still have a chance to shoot for the oil fields of Iraq and Iran via an alternative route.

The Time Factor

But should the Germans manage to occupy the Caucasus, Russia's mechanized armies and farms and many of her industrial plants would grind to a fatal stop in relatively short order—and the amount of oil needed (Russia is the second largest oil consuming country) could not be supplied by imports from us and Britain through the remaining northern supply routes at Murmansk and Archangel.

Per contra, if autumn finds Russia still barring Hitler's path to the Caucasus—and especially if, in addition, she is still holding on to the industrial facilities of Moscow—then Hitler's goose will definitely be in the oven, and it won't make any vital difference how many months thereafter are required for the basting and the browning.

So, we are not only in sight of the ceiling on our tremendous arms-making facilities but are confronted by near-term military contingencies which will either greatly strengthen the basis for investment calculations on a *relatively* early peace or force us to readjust our sights—and our investment policies—to the prospect of a greatly lengthened war, with all which that implies with respect to reduced civilian living standards, war taxes,

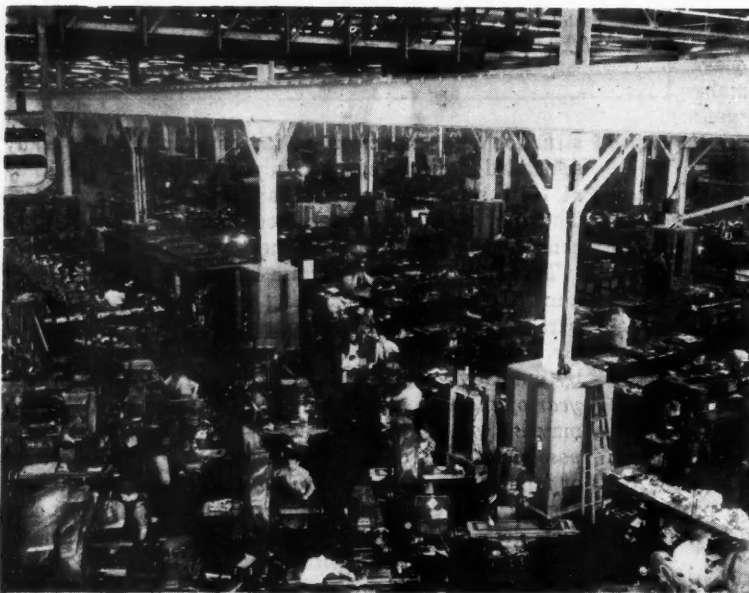
reduced corporate earnings and lower dividends.

The prospective ceiling on war plant expansion is of most concern to investors in two industries: construction and machine tools. With residential building sharply reduced, excepting defense housing, so-called heavy or engineering construction currently holds the limelight. This will in any event be a banner year, with total building volume variously estimated at from 12 to 14 billions of dollars. But the industry was expecting 5 to 7 billions of additional awards over the next four to six months, much of it to be carried over to 1943 billings. This must now be revised downward. Though earnings before taxes will remain good for many months to come, the security markets may be expected to discount the indicated charge in longer trend fairly promptly. Hence investment and speculative appraisals of stocks importantly related to war plant construction must be revised downward.

Similarly the machinery industry now seems likely to pass the crest of incoming orders—and possibly of deliveries—this year. If the war is protracted, considerable volume might develop in connection with re-tooling of some war plants to allow for changes in armament design, but such volume would be much smaller than that of 1941-1942. The very low price-earnings ratios accorded machine tool equities for many months past indicate that investors and traders have been making conservative allowance for the uncertain duration of the industry's prosperity. Whether *enough* allowance has been made for the approaching volume ceiling remains to be seen.

The most sweeping implications of the shift in war production policy relate to the materials situation. The decision is not any gamble on a short war. Even if WPB were certain of a very long war, it would have been forced to revise plant expansion objectives in any event. There simply are not enough materials in sight to feed all of the hungry war plant machines installed plus all those originally planned. The materials that will be "saved" by cutting down the expansion program, plus those to be added from current and nearby expansion of materials production, will only make the strain less severe than it would otherwise have been. To call this an "easing" of the materials supply situation would be exaggeration. If a ravenously hungry man has his bread ration modestly increased, you don't say he is well fed, but merely slightly less bad off.

The pinch in materials will get much worse before it gets better. Therefore pressure to make more effective war use of available materials will be inexorable. Only ironing out the administrative kinks is delaying much more strict and widespread resort to direct Government allocation of all shortage materials as a substitute for the ineffective and cumbersome priorities system; and to more stringent official control of all inventories from manufacturers to retailers. (Please turn to page 256)



Wide World

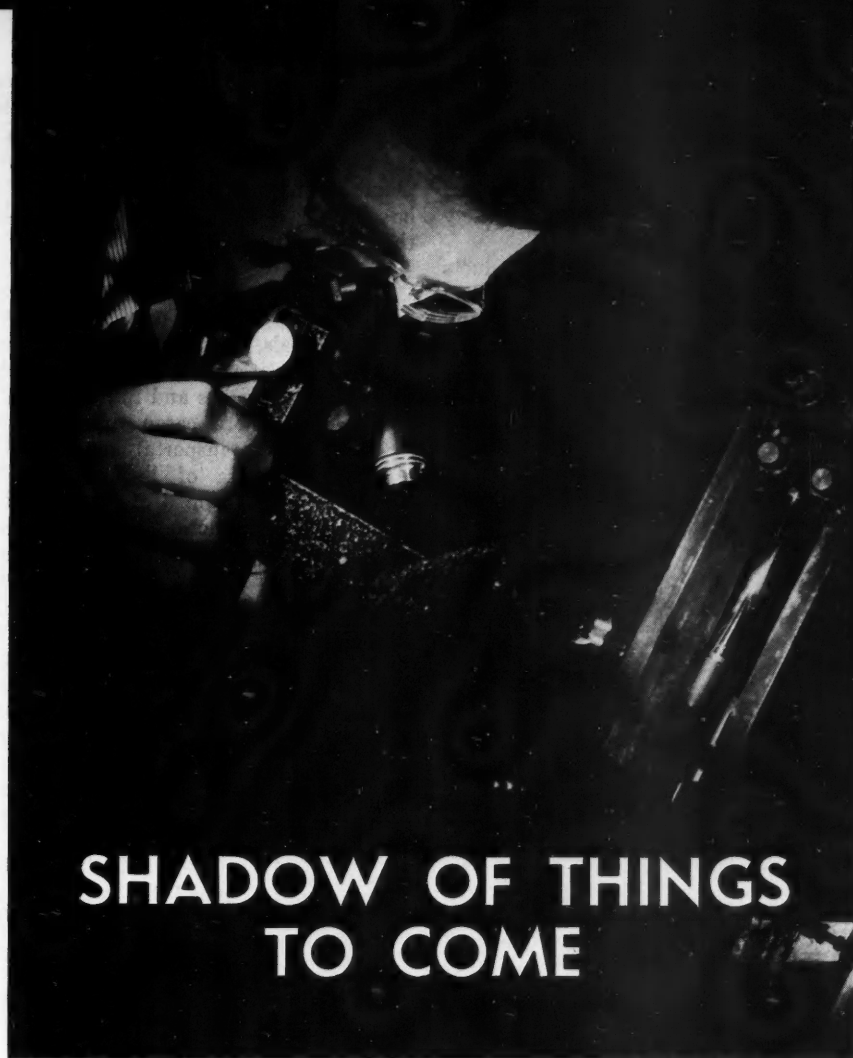
Ford's new bomber plant at Willow Run.

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SHADOW OF THINGS TO COME

Westinghouse Electric Photo

New Developments That Will Radically Alter Post-War Potentials for Many Industries

BY A. BANCROFT WELLS

IF it is true that great events cast their shadows before them, we are due for a shadow to put all other shadows to shame.

There are shadows and shadows, and the shadow of things to come hovering over the industrial life of America should be a happy one.

Most of us are better equipped with rear sight than foresight and it is always difficult for contemporaries to view history in the making impartially and weigh accurately its portent upon future conditions or events. But when it comes to forecasting potential industrial changes due to conditions existing in this all-out war the evidence is so clear, so inescapable and so overwhelming that forecasts are only limited by the imagination and the horizon of the prophet.

When the war is ended and historians search about for a name to designate the war period various suggestions will be made but it is safe to say that, from an

industrial standpoint, it will go down in history as the great transition era. Speaking specifically, history records the

bronze age, the iron age, the steel age and may even refer to the present period as a sort of combined plastics and light metals age, but transition era will be more accurate.

The best scientific minds in the nation haven't taken a holiday just because our major energies are being expended in producing the tools necessary to wage a victorious war. Shortages of certain basic materials have sharpened the needs for substitutes; similar shortages of manpower have increased the necessity for production of labor saving tools. Curtailment in manufacture of consumers' durable goods during the duration will give ample time, as well as incentive, toward the development and perfection of new creations and more modern models for post-war consumption. Just as

there will be a heavy post-war market for durables so will there be a large array of new machines to woo sales.

Even the most unimaginative must realize that plastics and industrial chemicals are still in their swaddling clothes. The day of light metals is definitely here.

The new crop of basic materials and finished products will be diversified. It will benefit both agriculture and mining, it will provide new uses for old materials and new materials for old products. The new materials will run the gamut from cloth made from milk and dairy products to rubber grown in somebody's wheat field. If modern wars make it necessary to devise scientific

enumerating some of the industrial benefits to accrue from the war the noted trust-buster said:

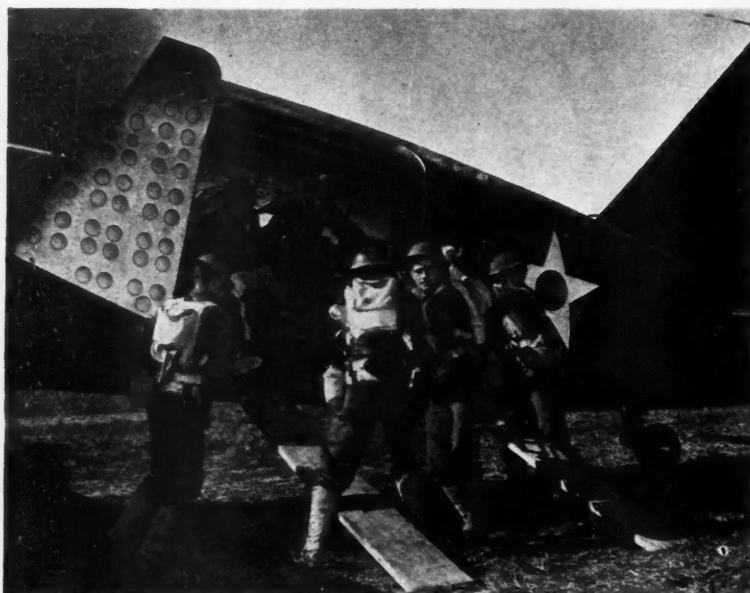
"We are producing new magic metals which can take the place of copper, and cheaper copper means cheaper plumbing fixtures, it in turn means more abundant housing. Magnesium," he added, "is 50 per cent lighter than aluminum."

Lighter Metals Seen

Both metals, he said, will be produced in vastly increased quantities. New welding technics will mean lighter planes, trucks and railroad cars, indicating 10 to 15 per cent more cargo capacity, and thus reduce transportation costs. Welding and the use of lighter metals can offer undreamed of opportunities in house construction. "Mass production of a new fuel," he added, "with a 110 octane rating and 50 per cent more powerful than the present 100 octane (aviation) gasoline will be a reality within the year. After the war—if a gasoline monopoly does not prevent—this new fuel will mean 30 per cent more miles to the gallon. The consumers' dollar will be worth more than it ever was before and the farmers' products can be traded for more manufactured goods than ever before."

Quite a bullish statement, but not beyond the realms of possibility. Because America was and still is a great farming country (one of the world's greatest producers of food) let us view the potential developments first from the standpoint of the farmer.

We will start in with the science of "Chemurgy," a coined word meaning putting chemistry and related sciences to work for agriculture, pioneered by the National Farm Chemurgic Council, a non-profit educational organization of scientists and businessmen of prominent corporations, universities and public institutions. Without desiring to merely catalogue all of the many developments due to chemurgy it is best that at this time we list a few of the more important ones. Cigarette paper, for example, is now fully American made from domestic flax straw; newsprint from cheap Southern pine in Texas; sulphate pulp forms the basis for rayon and explosives; pine oil chemicals are derived from old tree trunks; starch comes from potatoes, while sweet potatoes and waxy corn are now being used for the same purpose. Cotton is raised now to meet specifications for auto tires; while tung oil developing is expanding along the Gulf coast. The lowly castor bean may some day replace soybeans; and milk supplies textile fibers, which are also made from soybeans, redwood tree bark and even peanuts. We are now raising our own chemicals with more than 6,000 plantings of essential oils, botanical herbs, vegetable oils, etc., to put America's idle acres to work and provide even greater crop diversification for the American farmer. Farm crops will be used more extensively than ever for alcohol to be translated into



Harris & Ewing

Soldiers unloading a 37 mm gun from a transport plane used by paratroops.

methods of killing it also provides a stern necessity for development of scientific methods of existence and provision of comforts.

While we can't see eye to eye with Mr. Thurman Arnold that we are standing on the threshold of a bright new world, a technical utopia, we can agree that when the clouds of war roll away and the floodgates of new technological developments are released it will be a new world filled with new gadgets and better, cheaper and more accessible raw materials.

Nevertheless it is worth while quoting Mr. Arnold, who told the Senate Patents Committee recently that this new world will be one of strong but light magnesium airplanes and automobiles, of rivetless ships and plastic window panes. He told the Senators that the post-war world will be a peacetime bonanza due to the accelerated war production—provided national and international trade restricting agreements are outlawed. After the war ends, he said, "the unrestricted production of new wealth will create opportunities for new enterprises, large and small, to a degree undreamed of. If the patent bottlenecks are broken, and knowledge and skill are disseminated, new organizations will arise and be in a position to compete with each other after the war." In

rubber and explosives as well as plastics.

When the Japanese seized the Dutch East Indies our sources of supply of many vital spices and other supplies were cut off. Tapioca was one of the items. Tapioca dextrine is used for stamp mucilage, and now corn starch is being utilized for the same purpose. Starch is used widely in the manufacture of adhesives, paper and textiles. Louisiana sugar cane will be devoted to high-test molasses for the manufacture of Buna S made of ethyl alcohol to be converted into butadiene, more expensive to manufacture, but quicker, and the source of synthetic rubber.

The quest for substitutes goes on; a quest which has been most happily successful in many fields. When the quest was first launched American manufacturers, possibly from force of habit, looked afar for new materials. They turned to South America as a new source of raw materials. Then shipping conditions between the two Western Hemisphere continents became more difficult and eyes were focused upon our own resources. It was discovered that the grass was just as green, if not greener, at home. The next step was to set the clock back a few generations. Modern inventive genius reviewed the inventions of past generations; inventions often abandoned because substitutes had been found. Now that the substitute for the original invention was scarce, the old invention was adopted once again. People, for instance, are again making tricycles of wood.

Modern inventors and scientists are adamant on one point: substitutes must be more than a mere substitute, a stop-gap, they must be able to stand upon their own feet; do the job for which they are intended, and win friends and influence people in their behalf so that they will not be considered psychologically as mere substitutes.

Shortages, according to some experts, are a blessing in disguise because they will open paths for entirely new industries. Eugene E. Wilson, president of United Aircraft Corporation, expressed this sentiment when he addressed the Society of Automotive Engineers at New York. "It is entirely possible," he said, "that developments along this line may create new industries to redound to the ultimate benefit of our economy."

Can't Arrest Progress

It would be absurd to infer that by merely turning the clock back we can arrest progress or that the cast-off materials or inventions of yesterday are not inferior to the improvements used today. A great many articles Americans will buy and use these days may look the same, may feel the same, but won't be the same and won't last as long as the goods they have grown accustomed to. The list runs from talcum powder to house paint, from linoleum to blankets, and few are better than those in use before Pearl Harbor. It is difficult to persuade the average American manufacturer to speak freely on this subject. Knowing that the quality of the article they are offering the public is sub-standard, they are reluctant to talk about it, and hesitate to praise it in their advertisements. Some day, they know, they will be using pre-war materials, and the ersatz goods they are offering now they merely consider a fill in to keep the public from doing without.

In manufactured goods for popular consumption many ersatz materials will be used. The government fears a wool shortage. Steps have been taken to conserve the wool on hand, which is badly needed for military purposes, so ersatz wool already appears in blankets, will be found in rugs, with inferior wearing qualities; while everyone is aware of the fact that silk is almost unobtainable from abroad. Rayon, the substitute for silk, is being used extensively in everything from "silk" stockings to "woolen" sweaters. Shortages of steel affect more than the users of razor blades, who will have to be content with "second quality" blades for the duration.

Leather is also scarce. Of course substitutes for leather have been in use for some time, but some of the substitutes are almost as valuable in the war program as leather itself. Therefore shoe soles will be thinner and styles will be limited. The cosmetic and soap makers are in the same boat. Stocks of French and Italian flower essences are becoming exhausted. However, domestic and Latin American substitutes are available, with the result that while the odors may vary somewhat the quality and uses will be about the same



National Dairy Products Corp.

Baling machines press "Aralac" fibre into oblong bales.

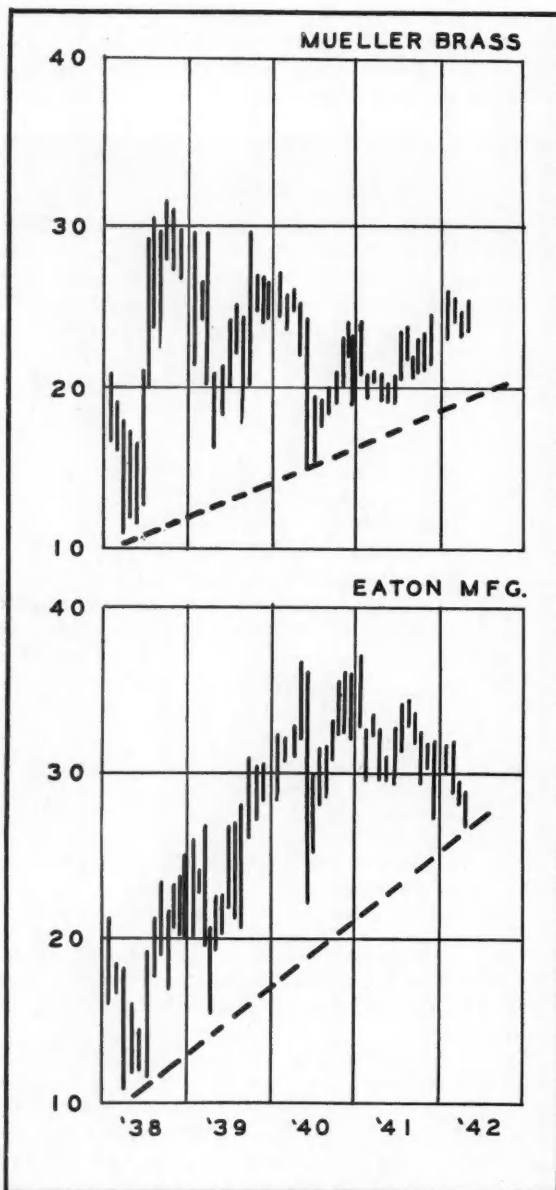
as ever. But makers of toilet waters, shaving lotions, etc., are harder hit. Scarcity of alcohol has put them on a strict rationed basis because alcohol is essential to these products.

If you see a lot of latherless soap on the market its because of the war. Coconut oil produces the oil, and coconuts are in the hands of the Japs. Most of the coconut imports came from the Philippines and now that source is cut off. However, people will still have soap, but it won't be the (Please turn to page 258)

Potential Leaders of Recovery

(First of a Series of Technical Studies of Uptrend Stocks)

BY FREDERICK K. DODGE



THE "trend" of the stock market is necessarily an average of the varying price movements of individual stocks. The particular average used by the analyst, or followed by the trader, may be made up of a small number of prominent stocks, such, for example, as the Dow-Jones 30 industrials; or it may include a much larger number. Whatever its form, this useful statistical tool is of *limited* value as a guide to speculation and investment.

You cannot buy an average nor even an "average stock," for these are statistical abstractions. You buy individual stocks and that requires careful selection at all times. If the "general trend" is up, that naturally increases the odds in your favor. Just on a straight mathematical basis, it increases the potentiality of profit, decreases the potentiality of loss. But, assuming you have judged the average trend correctly, your problem is far from solved. Your minimum objective is to select stocks which are performing at least as well as the average; and your ideal goal is to select stocks whose individual trends are stronger than the average. Every investor has had the experience, even in rising markets, of holding stocks which "don't move" or which even decline.

This is perhaps more than ever before a "market of stocks." For instance, on the day of this writing, 17 stocks have made new highs for the year and 23 have made new lows. In some cases the individual reasons for divergent action are apparent or can be ascertained through study of all the pertinent factors involved. But no investor can keep constantly in touch with the manifold changes affecting hundreds of listed stocks from day to day—some for good, some for ill. In most cases the changes are reflected in market value long before the reasons can become apparent to any "outsider." There is where the great usefulness of technical study comes in. It is, of course, not a fool-proof approach. Certainly to the investor—as distinct from short range traders—it is a supplemental tool, against which to check tentative conclusions reached by more basic appraisal of a company's position and prospect.

But the trend of any stock is a consensus of what hundreds or thousands of buyers and sellers know or think about the company's outlook—including many with access to inside facts. If you disagree with this consensus, it is *possible* for you to be right; but the odds are greatly against you.

The assumption—usually valid—of the technician is that any currently indicated individual trend will continue for an indefinite time, which may be short or long. His objective is to “ride along” until he sees what he believes to be evidence of a significant reversal of trend.

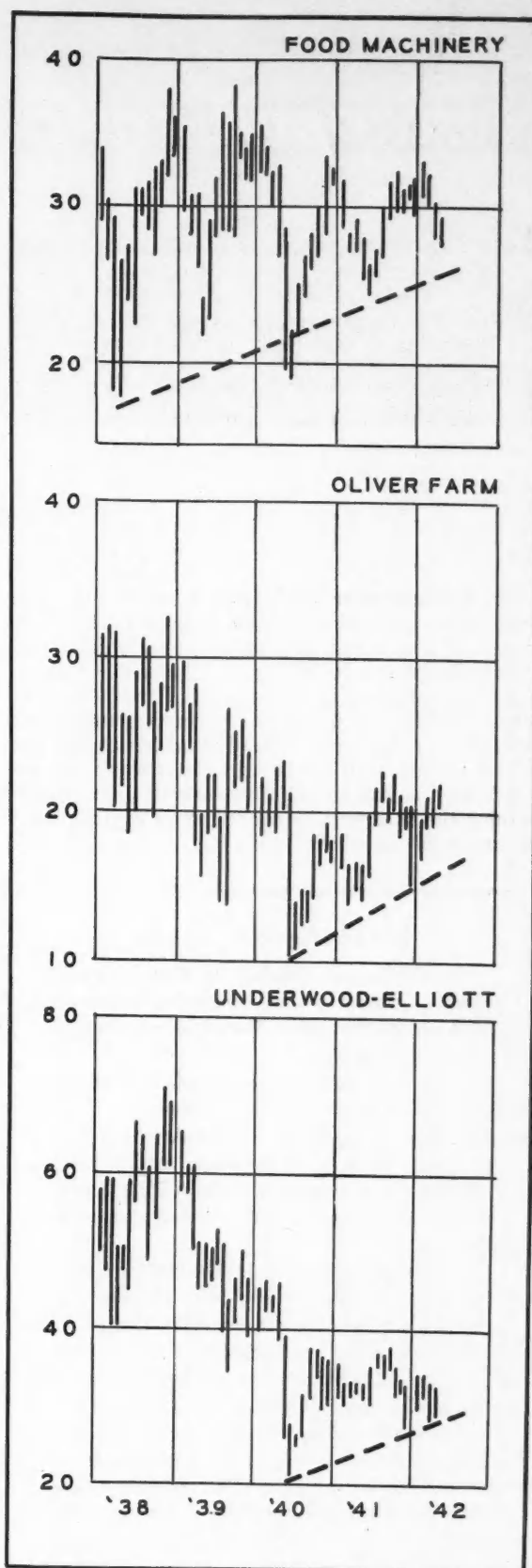
In a downtrend market, such as this one long had been up to late April and possibly still is, a favorable short range technical performance by any stock—whether over a period of days or of several weeks—is too flimsy evidence to be accepted at face value by investors. But there is a surprising number of stocks with clearly defined uptrends which have persisted for many months—in some cases two years or more—and yet which, due to the repressive effects of the general down drag, are still reasonably priced in relation to apparent earnings and dividend prospects. It is logical to reason that investment selections made among such issues carry greater than average promise of intermediate or longer range appreciation, and less than average risk of decline.

Charted on these pages are five common stocks which show rising bottoms either since the low of 1938 or, in most cases, since the low of the spring of 1940. The charts tell the technical story adequately. Therefore, our following comments on the issues individually will be brief.

Food Machinery made a low of 18 in the depression spring of 1938. In the panic liquidation following the fall of France in the spring of 1940 it virtually duplicated that low, reaching 18 $\frac{1}{8}$. In the general and severe downtrend of the market last year it never sank below 24. Lowest price to date this year has been 27 $\frac{7}{8}$. The top range has been approximately 37 $\frac{1}{2}$ in 1938 and 1939, 35 in 1940, 32 $\frac{1}{2}$ in 1941 and 1942. Thus considerable upside resistance is indicated in the areas 4 to 9 points above current price around 28. To push through it, strong support will be needed in general market trend. The company has a relatively good past earnings and dividend record and qualifies as an enterprise well adaptable to war or peace operations. Under the pending tax program, the company is estimated to be capable of earning about \$2.30 a share, on volume equal to last year; a minor bit more on increased volume. This would closely approximate the earnings of 1939, in which year dividend of \$1.37 was paid against \$1.75 last year, and in which the issue attained a price some 32 per cent higher than now prevails.

Eaton Manufacturing is also a “peace or war” situation, normally capable of substantial earning power even under much less than boom volume in the automotive industries. The chart shows rising tops and bottom over the four years 1938-1941, but moderately less favorable action this year to date, due to allowance for higher taxes. Earnings would be limited to perhaps \$2.50 a share, against \$6.20 last year, but would appear to support a dividend of, say, \$1.50. The stock's stability over the past several months suggests probability that the tax factor has been largely discounted. Unlike outright war stocks, presumptively favorable post-war potentials are obviously accorded recognition in current capitalization of prospective war-period profits. As a rough rule of thumb, normal earning power under fair to middling business conditions would appear to be in the range \$3 to \$4 per share.

Oliver Farm Equipment (Please turn to page 254)





Happening in Washington

Charles Phelps Cushing Photo

BY E. K. T.

Price Administrator Henderson's amateurish determination to organize a nationwide price control police system of a hundred thousand workers without consulting Congress is backfiring in a big way. Congress is sore, is withholding authority for Henderson to advance subsidies to industries squeezed between price ceilings and rising costs. Already that has caused Leon to ravish his solemn vow price ceilings won't be punctured—he has had to puncture several. Henderson is learning the hard way he can't ignore Congress and be ringmaster of the whole show.

Washington Sees:

Washington has decided the time is ripe to gamble. Stopping—not conquering Hitler—in 1942 will be the stake. The price may be high in men and machines.

Hitler must be kept from Russian oil at any cost. His attention must be distracted. It will be distracted by (1) joint British-American mass air raids, (2) a British-American land invasion attempt. That's why part of the AEF is flowing into Britain instead of being concentrated in the Pacific.

There's nothing new about the idea of siphoning German might out of Russia. Months back, even before Pearl Harbor, our military men knew shortly the Allies must establish a second front. They knew American troops and machines would necessarily join this flanking movement.

We're not entirely prepared. We've the men and machines but our supply lines are inadequate. That's the hazard which makes it a gamble. But it's a good gamble, worth odds we'll win.

Federal Power Commission continues to make itself increasingly unpopular inside the war administration, is resolute against any truce in New Deal reform. Latest evidence comes in a commission ruling that "transmission facilities" include not only power lines but all devices to accomplish transmission of electric energy. That's vital because the Federal Power Act holds subject to FTC jurisdiction all utilities owning facilities for interstate transmission of power. Heretofore companies have avoided this jurisdiction by simply cutting interstate transmission lines. Now the commission says that isn't adequate, claims it retains jurisdiction if a utility retain ownership of any devices whatsoever for accomplishing transmission. The courts will get a crack at that chicanery.

Tankers are making experimental runs up the east coast again. If they dodge the U-boats, the flow of petroleum products by ocean route will resume. If they don't the shortage area will have to rely wholly upon other carriers.

State laws restricting working hours of women worry Labor Department planners. Many states limit the number of hours women may work, prohibit night work for women. These become increasingly significant as need for female workers in war industries manifests itself. Manpower chartists feel the state straitjackets will really hurt when the labor shortage hits around October. They've been prospecting for a loophole, but their lawyers say Congress can't supersede the state statutes.

National gasoline rationing will stir up an eruption of oratorical lava in Congress that may do real damage to some big shots before it subsides. It won't subside quickly. Stakes are too high. There'll be Senate and House investigations. Westerners will set to work in earnest to prove that (1) gas rationing doesn't conserve rubber, (2) rubber shortage results from dereliction in high places. They may succeed.

Washington writers can't relay past censors all the news these days, but we can safely tell you there are excellent reasons for believing the battle of production has been won. The almost fantastic plane, tank, gun, and ammunition goals set by the President will be attained before the year-end. Industry has come through in a truly miraculous manner. Troubles galore still lie ahead—troubles stemming from materials and manpower. But they'll be overcome. The real production machine has been set up—now we turn the crank to grind out war implements.

To spin the crank we must have more than 20,000,000 workers in war industries by 1944. We had about 7,000,000 at the opening of the year, 9,000,000 by April 1. We must have 15,000,000 by mid-November, 17,000,000 by New Year's Day. Between January 1942 and January 1944 the shipbuilding program must be doubled; aircraft factories must quadruple their employment; ordnance output must be tripled and that means a 500 per cent worker expansion in private and government arsenals. We'll do it.

Don't count too strongly on keeping your male workers just because you run a defense business. Better train some women. Women are to relieve men by many thousands in lighter jobs. The skilled males are to be shifted into heavier steel, tank, and ship production for which women are constitutionally unsuited.

Real impact of war financing will go over until 1943, probably until 1944. It now has become apparent Congress is not disposed to deal realistically with the revenue problem in the face of November elections. That means your 1943 tax return won't truly reflect the combined costs of New Deal reforms and war making. You'll get a more concrete idea of Washington subtraction not later than March 15, 1944.

\$36,000,000,000 of war bond sales in 1943. That's the goal privately set up by Federal task men. It's a \$3,000,000,000 monthly average compared with a June quota this year of \$800,000,000. The experts calculate bond sales must touch \$24,000,000,000 yearly to effectively curb inflation. So they've tossed in an extra \$12,000,000,000 and laid this total before the President's Cabinet as the maximum that can be extracted. There's little hope this toll can be collected without compulsory savings.

The average family will ultimately be contributing 40% of its income to Washington in taxes or bond purchases if the dollar jugglers have correctly juggled. The assessment will be smaller for families in the lower income brackets, larger against higher bracket family units. That's an overall vision which Morgenthau's menage hopes won't fade into an illusion.

Watch for a smelly scandal touching failure of those in high places to salvage scrap rubber for recapping tires. It's aimed at Nelson, Henderson, and Jones. It may be hushed by Jones' sudden eagerness to finance expansion of rubber reclaiming facilities. But you can jot down a note that if more scrap isn't promptly allocated for recaps, Congress will dig into this mess. A surprisingly large number of Congressmen are swinging aboard the theory that perhaps the political motives which paid farmers to plow under little pigs and cotton and wheat may be aiming at similarly regimenting American car owners through a program of planned scarcity.

Don't try to deduct from your next income tax return any fancy figure covering costs of obtaining government contracts. The Treasury is getting ready to disallow such deductions unless adjudged "necessary and

ordinary and reasonable." One aim is to washout payment of fees to Washington wise guys who collect fat commissions for allegedly using their influence in contract awards.

Business and industry converted to war production have been given the green light to proceed with institutional and good will advertising calculated to protect grade names and reputations in consumer fields. WPB urged this months back. Now the Treasury has added its official okay by ruling that expenditures for such advertising will be deductible from taxable income if not out of proportion to pre-war advertising budgets. This allays fears national advertising might become largely extinct with disappearance of consumer goods from markets.

WPB has shuffled its industry branch chiefs. No industrialist is now chief of the branch dealing with the industry in which he earns his living. The worth of this purge remains to be proved. Proponents claim it removes opportunity for branch heads to favor their own industry. Critics retort it allows a suit and pants dealer to serve as top man for petroleum refining.

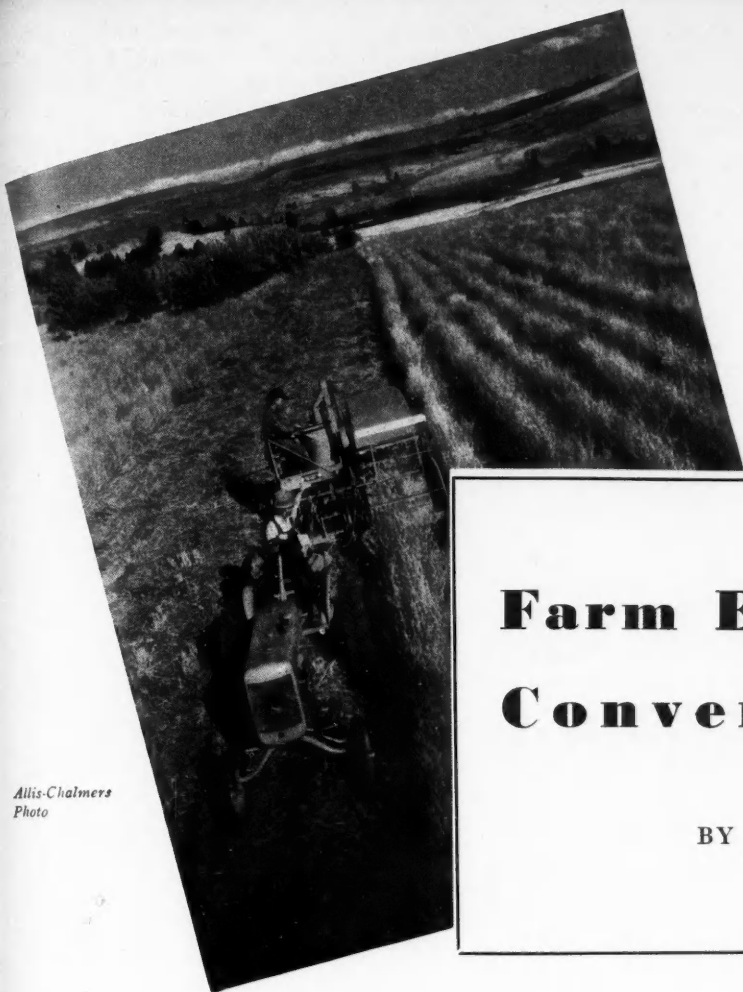
Post mortem. Months back a House Military Affairs Committee member with more commonsense than political sense warned the WPB somebody was blundering in encouraging nation-wide lifting of trolley rails. He's Representative Fitzgerald, Connecticut Democrat. He got the laugh then. Now the Defense Transportation Office has come back to see the need for putting surface cars back into action and is desperately striving to correct the WPB stigmatism. It's too late in many industry centers—the rails have already been salvaged. In others more fortunate, trolleys will soon be clattering again.

Conversion of the typewriter industry to war production has been quietly speeded with utter disregard of anti-trust laws. Two typewriter plants are now turning out new machines for all the companies. All other plants have been geared to war work. There'll be more of that after Congress initials legislation authorizing suspension of anti-trust statutes.

Federal seizure of tires and automobiles haunts Congress. Most lawmakers feel the public might be educated into having tires and cars commandeered for the war machine. But the idea of seizing one citizen's tires for a neighbor just because he works in a plane or tool factory has the Legislators gulping. They may have to deal with that sort of legislation soon.

The Army, cooperating with commercial airlines, has quietly flung abroad the greatest aerial express system in the world. To keep men and materials moving over these lanes, the War Department rapidly is commissioning scores of traffic specialists from the airlines. The lines operate the new routes, but the Army tells them what and when to move. They're flying now, northeast to Iceland, south to Latin America, east across the Atlantic to Africa. Time and war demands will bring extensions of this network which should be of incalculable aid to the commercial lines in post-war competition.

Sugar rationing may be dropped before the end of the year. It never was essential, but after Henderson had spent a million ballyhooing the need he was afraid to lose face by calling off the show. Shipments from Hawaii, diversion of grain to alcohol production, and definite estimates of United Nation requirements presents unmistakable evidence the whole spectacle was born of OPA hysteria.



Allis-Chalmers
Photo

Farm Equipments Convert to War

BY H. F. TRAVIS

FARM income is rising, but for once farmers won't be able to spend as much money as they desire on farm machinery. At the same time the government is calling for huge increases in farm production, not only as a means of feeding the American people but people of the United Nations as well. This presents a paradox.

Both the farmer and the farm machinery industry have definitely gone to war. Increased acreage under cultivation; greater crop yields; new crops, more crops, more food . . . more . . . more . . . more is the cry of the Department of Agriculture, called upon to feed, not only our own people; our own military forces at home and abroad; but a large portion of our Allies and to accumulate a surplus so that when war ends American food-laden mercy ships can be dispatched abroad to save the lives of the millions of victims of war who have managed to escape actual starvation.

This, of course, should mean a heavy demand for farm machinery. It should, if this were not an all-out war, mean the development of new and more efficient types of farm machinery. But lack of steel, required for "more essential" activities, prevents farm machinery manufacturers from either introducing new models or even keeping up with the demand for existing ones.

That doesn't mean that the farm machinery industry is suffering because of the war. On the contrary, the industry, because of its conversion to war supplies, is quite successful. To be precise, sales in 1941 were highest in the history of the farm machinery business. Last year farm machinery sales reached \$752,000,000, as compared with \$562,000,000 in 1940, and \$571,000,000 in 1929, the previous record year. This figure doesn't tell all the story, either. Last year the farm machinery industry was put on a quota system; priorities, you know, had already gone into effect. The industry is now permitted to manufacture 83 per cent of 1940 production.

A breakdown of these figures, according to Department of Commerce reports, is most illuminating. The total production of tractors in 1941 amounted to 356,989, valued at \$259,059,933; of combines (harvester-threshers), 54,255, valued at \$29,958,092; and of grain threshers, 2,408, valued at \$2,171,744; constituting an important cross-section of farm machinery production. Compared with production in 1940, these figures represent an increase of 25.9 per cent in number and 31.1 per cent in value of tractors; 16.5 per cent in number and 33.8 per cent in value of combines; and 17.2 per cent in number and 17.3 per cent in value of grain threshers.

Sales by manufacturers for 1941 exceeded production in all principal items, indicating considerable reduction in inventories during the year. Sales of tractors exceeded production by 3.8 per cent in number and 4.4 per cent in value; sales of combines exceeded production by 16.8 per cent in number and 14.9 per cent in value; while sales of grain threshers exceeded production by 34.9 per cent in number and 32.9 per cent in value.

To better understand the big increase in farm equipment in 1941 over 1940 it is necessary to take into consideration farm land distribution. The 1940 census returns show 3.1 per cent fewer farms on April 1, 1940, than in 1930 and 10.5 per cent less than in 1935. Farms were larger, however (which accounts for greater need for mechanical equipment). The total land acreage in farms was 7.5 per cent greater in 1940 than in 1930 and six-tenths of 1 per cent more than in 1935.

According to the Department of Agriculture cash farm income for 1942 is forecast at about \$13,000,000,000, unless weather is very abnormal. That would be the highest ever reached except for 1918 and 1919 in the last war period. Prices are expected to average about 25 per cent higher than 1941, according to the Department, or about 10 per cent above those current in December, 1941. Farm prices in the last three months of 1941 averaged about 40 per cent higher than the previous year. At the same time production costs in 1941 increased only about 15 per cent over 1940, due mainly to labor, rents and feeds, but the net income of farmers in 1941, after allowing for the value of products retained for home use and rental value of farm dwellings, was the highest since 1920. Net income of persons on farms has more than kept pace with the rise in incomes of the non-farm population, according to Agriculture Department estimates. This agency estimates increases in per capita incomes of the two groups are 32 per cent and 18 per cent respectively. Including government payments, per capita incomes of persons on farms in 1941 were about 79 per cent above the average in 1910-14 compared with a rise of 70 per cent for non-farm groups.

The War Production Board has a real problem on its hands so far as farm machinery is concerned. Priorities curtailed supplies of steel to the plants and many of them have converted a bulk of their facilities to the manufacture of munitions. Now the demand for farm machinery is increasing to the almost clamour stage. Heavy sales last year, in excess of production, dipped

deeply into inventories and left the dealers with a much depleted inventory to start 1942, a year which will probably go down in farm history as a banner one in number of acres under cultivation, yield and value of crops. To meet this situation the WPB recently speeded up farm machinery production by granting the industry an A-1-A preference rating. The rating was granted in an amendment to an earlier order. It may be applied only to orders for materials which are scheduled to be delivered to the farm machinery makers before June 30, and may be applied only to materials to be used in new machinery, attachments and repair parts for: planting, seeding and fertilizing machinery; plows and listers, harrows, rollers, pulverizers, harvesting machinery, wagons and trucks, complete spraying outfits, farm elevators, poultry farm equipment, miscellaneous farm machines and equipment which do not require alloy steel containing 4 per cent or more of chromium.

Work for U. S.

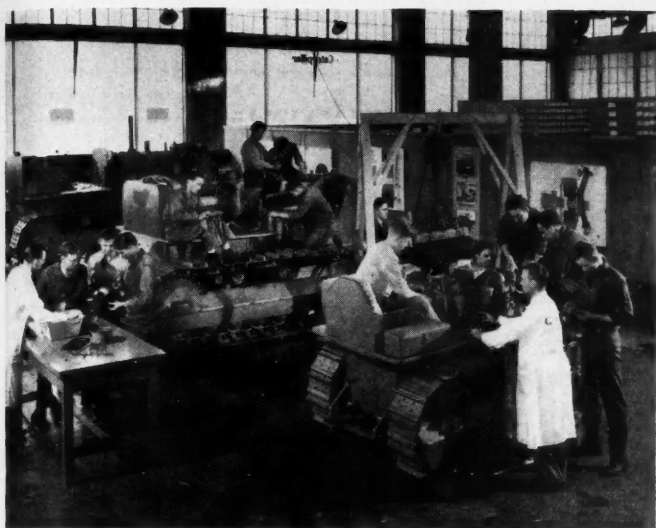
The WPB order also restricts the amount of materials which can be ordered during the period April 1-June 1 to certain percentages of materials used by the manufacturers in new production in 1940, as follows: 21 per cent of 1940 use of steel; 20 per cent of cast iron; 6 per cent of chromium; 3 per cent of nickel; 3 per cent of zinc; 8 per cent of copper; 7 per cent of lead, 10 per cent of tin; 2 per cent of aluminum; and 18 per cent of cobalt.

The farm equipment business was actually born in thousands of rural blacksmith shops throughout the countryside and war-time conditions may lead it back to the same scene. With better than half of the productive capacity of the nation's large farm machinery plants, on a man hour basis, devoted to making implements of war, the farmer will have to resort to the village smith for repairs and more repairs and even hand-made machinery. One manufacturer is shipping 90 per cent of his current output to the Government. But that isn't all. By the end of 1942 it is likely that every large company in the farm machinery business will have turned the major portion of its facilities to the war effort.

There are approximately 200 companies whose principal business is the manufacture of farm tools. Of the \$752,000,000 worth of farm equipment sold last year,



A "Caterpillar" Diesel Motor Grader grading roads at one of the many army camps.



Non-commissioned officers from Fort Belvoir studying at a "Caterpillar" School.

roughly \$650,000,000, or 85 per cent, was done by five companies. International Harvester Company, the accepted leader in the field, accounted for almost half of the nation's 1941 sales. Other large manufacturers of farm equipment include, of course, Deere & Company, Oliver Farm, J. I. Case Company, and Minneapolis Moline.

The farm machinery people were not, like the automobile manufacturers, ordered to stop commercial production entirely. In fact, they were assured of holding many of their normal markets because of the vital relation of farm machinery to the food for victory goals. Nevertheless, the well-thought-out quota system for the allotment of scarce raw materials, on the basis of past productions, proved inadequate. Most companies ran into serious priorities difficulties. They were confronted with a choice. Either have machines and men idle while waiting for steel for civilian goods, or keep busy

by converting to military production. They converted.

This decision, for the larger firms, means virtual abandonment of considerable of the normal peace-time business. It indicates reduction in profit margins from the favorable levels of 1940 and 1941, quite aside from higher taxes.

But things are different for the smaller manufacturers, many of whom have insufficient machine tools for the necessary plant conversion. Therefore, their business will depend almost wholly upon their ability to wangle scarce material under their priorities ratings.

The greatest immediate demand for farm machinery is for tractors and dairy equipment needed to relieve labor shortages, and for special crops such as peanuts and soy beans, essential to war needs. There will be an acute shortage in combines.

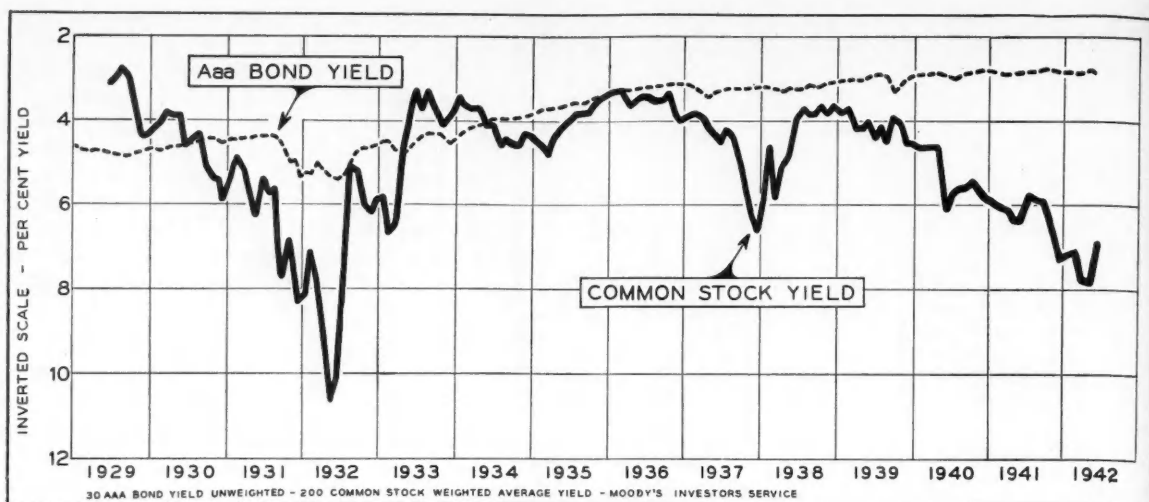
Of course it is next to impossible to predict definitely how farm manufacturers will fare throughout the war years and after the war until several essential factors have been disposed of. Until the tax situation is clarified no one knows what earnings will be except that they will be smaller proportionately in the "net" column. Until farm machinery plants either are converted to a 100 per cent war basis or some assurance is given that they will have adequate steel and other essential materials to enable them to produce a good share of the machines needed, no one can say what their earning capacity will be. That they will enjoy a heavy post-war business, due to depleted inventories, increases in farm incomes and necessity to feed a good portion of the world during the reconstruction period, is almost a certainty.

It is evident, therefore, that farm equipment manufacturers fall into that category of vanishing businesses that can and will prosper through and after the war. While normal operations will be greatly restricted during the war, conversion facilities will be utilized to the utmost to turn out (Please turn to page 260)

Leading Manufacturers of Farm Equipment

Company	Earned Per Share 1941 (\$)	Dividends Paid 1941 (\$)	1942 Price Range High Low	Recent Price	COMMENT
International Harvester.....	5.87(b)	3.00	52 -40	44	Company has important role in war production. Lower earnings foreshadowed but \$3 dividend reasonably secure.
Allis-Chalmers.....	3.23	1.50	30 1/8-22	24	Armament orders bulk large in current prospects. Earnings likely justify dividends at least equal to last year.
Oliver Farm Equipment.....	4.93(a)	1.00	24- 17	24	Company is active in war effort and earnings promise to be well sustained. Net quick assets were equal to about \$50 a share 10/31/41.
Deere.....	4.08(b)	2.00	24 1/4-18 1/2	22	Earnings, although likely to be lower this year, should provide a reasonable margin for \$2 dividend. Shares have speculative merit.
Case, J. I.....	13.23(b)	7.00	69 -54 3/4	67	Higher taxes and rising costs will reduce current profits but dividends will probably continue relatively liberal.
Minneapolis-Moline Pwr. Impl.....	2.05(b)	....	3 1/8- 1 1/8	2	Recapitalization deferred by war problems. Preferred payments will continue but common lacks promise.

(a)—10 mos. to Oct. 31. (b)—Year ended Oct. 31.



Tomorrow's Yields For Common Stocks

BY J. S. WILLIAMS

Nor since early 1932 have common stock yields been as high as they are at the present time. Early in May the typical common stock was selling at a price to yield nearly 8 per cent on an annual basis. Not a few issues were available, and still are for that matter, showing a yield of 10 per cent and better. The catch is that in many instances these high yields may prove to be illusory. The total of dividend casualties has risen steadily since the beginning of the year and there will be a lot more in the months to come. That is why common stock yields are high. A stock which today sells to yield 10 per cent on the basis of last year's dividends may give an actual return of say 6 per cent when this year's dividends are toted up. But in addition to foreshadowing lower dividends this year, there are, however, several significant inferences to be drawn from prevailing high yields.

Over the past twelve years the average yield on 200 common stocks, including railroad, public utility, industrial, bank and insurance issues, compiled by Moody's Investors Service, has been slightly under 5 per cent. Just before the start of the war the average yield on these issues was about $4\frac{1}{2}$ per cent. In the past those periods in which common stock yields were at a level comparable to the present, the country was in the throes of a business depression. Such is far from being the condition at the present time but earnings, and by the same token dividends, are headed downward. With the problems of converting the industrial machine to the production of war material rapidly being solved profits *before taxes* for many companies will be the largest on record. But earnings available for dividends will, on

the whole, be substantially under those for 1941. Net earnings in the first three months this year were down about 25 per cent from the level of a year ago. Not only are allowances being made at a rate of 65-70 per cent of pre-tax earnings, but many companies with an eye to the future are pursuing the policy of setting up sizable reserves as a cushion against post war contingencies. Such reserves are, of course, a call on earnings ahead of dividends.

The reader's attention is directed to the accompanying chart comparing the course of common stock yields with that of high grade bonds. Of particular interest is the fact that on every occasion since 1929, the maximum spread between bond and stock yields was of very brief duration, at most only a few months. Thereafter, the relationship was altered by a decline in common stock yields. The latter can be brought about by lower dividends, rising prices for common stocks, or a combination of both. In the past, however, the pattern has been one of rising prices. This in a large measure reflects the habit of the market in discounting lower dividends well in advance of official action. In the present circumstances, if this same pattern is followed, conceivably prices later this year could advance even in the face of recurring adverse dividend announcements.

Such a possibility is given weight by the action of common stocks in England. Industrial common stocks in Great Britain are selling currently to yield about 5.5 per cent and for only a brief time, following Dunkirk, did average yields on these issues exceed 8 per cent.

In further support, is the likelihood that whatever corporate tax legislation is finally enacted this year it

will probably represent the maximum of such taxation for the duration. If this assumption is correct, it will mean that corporate managers will be in a position to act with some assurance in the matter of dividends, relieved of the necessity of engaging in the annual guessing game as to what next year's taxes will be. As a matter of fact, there is some possibility that corporate taxpayers may be afforded some relief by the inclusion of provision in the 1942 Revenue Act for returning a portion of excess profits tax after the end of the war. It will be recalled that in Great Britain excess profits are taxed 100 per cent, 20 per cent of which however will be refunded after the war.

As already pointed out there have been an increasing number of dividend reductions this year. In relation to the total likely to be reached, however, these may prove to be only a comparative handful. The individual investor particularly if he is dependent upon common stock dividends should therefore be warned against deluding himself into a false sense of security merely because a company thus far has continued to pay regular dividends. In this connection the case of American Telephone & Telegraph is worth noting. Directors recently surprised most people by declaring the regular \$2.25 quarterly dividend, it having previously been reasoned that a reduction was clearly foreshadowed by the

lower dividends declared by several of the parent company's leading subsidiaries. But nothing has since occurred to alleviate the threat of a possible reduction later this year. At least it would be wise for the investor to make allowance for such a reduction.

On the other hand it is not unlikely that not a few of the common stocks currently obtainable to yield 8 to 10 per cent will prove to have been rare investment bargains, not only in terms of income but future market action as well. There is, of course, no wholly reliable rule of thumb for selecting those issues which are genuine bargains. Yet a considered selection of such issues should produce on an over-all basis quite satisfactory results.

In making a choice of high-yielding common stocks ample reservations should be made for possible reductions in dividends. But even allowing for a possible reduction of 20 or 25 per cent, it would still mean an aggregate yield of better than 6 per cent. This would be well in excess of the average common stock yields over the past twelve years.

In the past the investor who has availed himself of the opportunities when common stock yields were high and prices low has been well rewarded for his foresight. These precedents may well be repeated in the present setting.

Comparison of Yield on Leading Issues Based on Probable Dividends This Year

Company	Earned 1941 \$	Dividends Paid 1941 \$	Earned 1st Quarter 1942 \$	Earned 1st Quarter 1941 \$	Dividends Paid 1942 \$	Recent Price	Possible 1942 Dividend \$	Indicated Yield %
Allied Chemical	9.67	8.00	NA	.....	1.50	131 1/4	7.00	5.30
Allied Stores	1.57	.....	NA	.....	.30	5 1/4	0.60	12.0
Alpha Portland Cement	2.09	2.00	NA	.....	.50	16 1/4	1.50	8.8
Amerasia Corp.	3.26	2.00	0.89	0.64	1.00	49 1/2	2.00	4.0
American Rolling Mills	3.21	1.40	.43	1.08	.50	9 1/2	1.00	10.0
American Tobacco "B"	4.58	4.50	NA	.....	1.75	44 1/2	3.25	7.2
American Steel Foundries	2.30	2.00	1.05	1.07	1.00	16 1/4	1.50	8.8
American Tel. & Tel. Co.	10.26	9.00	2.51	2.54	6.75	117 1/4	8.00	6.8
Anaconda Copper	5.01	2.50	1.15	1.34	.50	23 1/2	2.00	8.3
Bath Iron Works	3.33	1.25	NA	.....	.50	12 3/4	1.00	7.7
Bethlehem Steel	9.35	6.00	1.51	2.95	3.00	51 1/2	4.00	7.6
Borg-Warner Co.	3.20	2.00	.80	.69	.40	23 1/4	2.00	8.7
Bendix Aviation	6.30	4.00	3.48	2.81	2.00	29 1/4	3.00	10.0
Campbell Wynt & Cannon	2.37	1.60	1.07	.58	.50	13 1/2	1.00	7.1
Continental Oil	3.29	1.00	.76	.26	.50	20 1/2	1.00	5.0
Chrysler	9.22	6.00	1.13	2.20	2.00	62 1/2	4.00	6.5
Cluett-Peabody	4.14	3.00	NA	.....	1.25	31 1/4	2.25	7.00
General Electric	1.99	1.40	.36	.39	.70	26 1/4	1.20	4.6
General Motors	4.45	3.75	.48	1.44	1.00	37 1/2	2.00	5.7
Inland Steel	9.08	5.00	1.55	2.13	2.00	56	4.00	7.1
International Business Machines	10.44	6.00	2.83	2.55	3.00	121	6.00	5.0
International Harvester	15.87	3.00	NA	.....	1.50	45 3/8	3.00	6.6
Kennecott Copper	4.55	3.25	NA	.....	.50	27	3.00	11.1
Kimberly-Clark	4.72	2.25	.83	.68	.75	26	1.50	5.8
Loew's	16.15	3.00	(a)2.91	(a)2.80	.50	41 1/2	3.00	7.1
Montgomery Ward	4.01	2.00	(b).61	(b).47	1.00	31 1/4	1.50	4.8
Melville Shoe	2.64	2.25	NA	.....	1.00	24	1.50	6.3
National Biscuit	1.43	1.60	1.37	1.49	.80	14 1/2	1.40	14.0
Neisner Bros.	4.15	1.25	NA	.....	.50	13 1/4	1.00	7.1
Phelps Dodge	1.70	1.50	NA	.....	.80	23 1/4	1.50	6.5
Paramount Pictures	2.97	.90	NA	.....	.50	14 1/4	1.00	6.7
Phillips Petroleum	3.92	2.25	.76	.74	1.00	35 1/4	2.00	5.7
Pacific Gas & Electric	2.31	2.00	NA	.....	1.00	18 3/8	1.60	8.9
Public Service of N. J.	2.04	1.95	1.64	2.47	.50	10	1.10	9.8
Purity Bakeries	1.85	1.20	.64	.52	0.50	10	1.00	10.0
Scovill Mfg. Co.	3.48	2.00	NA	.....	0.50	22 1/2	1.50	6.7
Spicer Mfg. Co.	19.42	3.25	(c)5.01	(c)4.53	2.00	32	4.00	12.5
Union Pacific	11.19	6.00	2.17	.37	3.00	66 1/2	5.00	7.5
U. S. Steel	10.45	4.00	2.48	3.48	2.00	46	4.00	8.7
White Motor	4.41	1.25	NA	.....	0.50	13	1.00	7.7

* Year ending Sept. † Year ending October. ‡ Year ending August. § Year ending Jan., 1942. a—28 weeks to Mar. 12 (b) Quarter ending April 30. (c) 6 mos. to Feb. 28.

Another Look At Your Company

Appraising the Changing Fortunes of War of International Nickel, Mack Trucks, Phillip Morris, National Cash Register, Weston Electrical Instrument, Square D, Corn Products, Black & Decker.

International Nickel

Nickel is one of the most vital sinews of war. It is, therefore, hardly surprising that International Nickel, credited with 85 per cent of the world's production of nickel, set a new high record in production last year. It is, however, a safe assumption that last year's records will be short-lived. The company has under way an extensive program involving an outlay of \$35,000,000 and the nickel supply is being increased so that by 1943 annual production will be 50 million pounds greater than in 1940. The Canadian Government has agreed with the company that \$25,000,000 of capital expenditures so incurred subsequent to July 1, 1941, will be amortized over a five-year period to the end of 1945. In addition to being the world's largest source of nickel, the company also is the largest producer of platinum and related metals, and ranks among the four largest copper producers. The bulk of the company's output of copper is sold to Great Britain at fixed prices substantially less than the prices prevailing in the United States. Despite the fact that net sales last year increased more than \$26,000,000 net income was slightly less than in 1940 and earnings, after preferred dividends, applicable to the common stock were equal to \$2.22 per share, against \$2.30 in 1940. Substantially increased taxes, as well as higher allowances for depreciation and depletion, were largely responsible for the decline in net for 1941. The same factors were evident in the initial three months of the current year when net of \$8,071,966 was equivalent to 52 cents a share, compared with \$9,239,709 or \$1.60 a share after preferred dividends in the corresponding period a year ago. Compared with the quarterly dividend of 50 cents, the margin of earnings was so slight as to raise a question as to the security of the present \$2 annual rate. The company's finances leave nothing to be desired, but directors may well prefer to act conservatively in the matter of dividends, later this year. Looking ahead, International Nickel has, in its record of earnings and operations, subsequent to World War I ably demonstrated its ability to function profitably in a peacetime setting. Even if allowance is made for possible reduction in dividends, the shares at recent quotations around 27 appear reasonably priced in relation to the company's outstanding position in its field, past record and the important role which it will continue to hold, either in a war or peace economy.

Philip Morris Co.

Philip Morris recently undertook new financing to the extent of \$11,000,000 through the sale of \$6,000,000 20-year 3 per cent debentures and 49,666 shares of 4½ per cent preferred stock. Of the proceeds realized from this financing, approximately \$8,000,000 will be applied to the repayment of bank loans and the balance added to working capital. Giving effect to this new financing, capitalization of the company will then consist of \$6,000,000 funded debt; 198,656 shares of 4¼ per cent preferred stock; 49,666 shares of 4½ per cent preferred stock and 843,993 shares of common stock. Philip Morris is something of a prodigy in the tobacco and cigarette industry. The company's sales have consistently expanded at a rate substantially in excess of that for the industry as a whole, over the past several years. Last year the company's sales of its principal brand of cigarettes—Philip Morris—were in excess of \$18 billions, an increase of more than 40 per cent over sales in 1940. The company's report for the fiscal year ended March 31, last, has not been issued as yet, but for the 11 months ended February 29, last, net applicable to the outstanding common stock was equivalent to \$7.38 a share, which compares with \$8.11 a share for the common stock in the 1941 fiscal period. The company's taxes in the most recent fiscal period were computed on the basis of the 1941 Revenue Act and earnings, consequently, do not reflect a full impact of taxes now under consideration. The prospect of increased taxes, together with the increase in the preferred stock capitalization, seems to clearly foreshadow a decline in earnings available to common stockholders this year. In the circumstances, some reduction in the \$5 dividend, paid for the past three years, may be necessary. Operating in a highly competitive field, the company has ably demonstrated its ability to more than meet such competition on better than even terms. It is therefore a reasonable assumption that sales will record further gain in the current year but not to an extent sufficient to absorb increased costs, taxes and capital charges. At recent prices, however, this prospect appears to have been adequately recognized marketwise.

National Cash Register

Normal activities of National Cash Register have been virtually suspended for the duration of the war,

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Another Look At Your Company

and a large part of the company's manufacturing facilities are being utilized in the production of war materials. Production of cash registers was discontinued in April and output of accounting machines, although fairly active, is being absorbed only by customers with a high priority rating. What is true in the case of National Cash Register is also true of the entire business equipment industry. The industry has both the equipment and experience to turn out precision products on a large scale which, in the present setting, means the production of such ordnance items as fuses, small arms ammunition, rifles and other instruments essential to the war effort. Last April it was stated by the W P B that the industry's war contracts were in excess of \$300,000,000 and it is certain that this figure is substantially larger at the present time. In terms of normal output this is equivalent to several years' production. Sales of National Cash Register last year were the largest since 1929 and net income of \$3,257,446 was equal to \$2 a share, against \$1.26 a share in 1940. Sales in the initial three months of the current year were increased more than 60 per cent and earnings, after income taxes of some \$2,000,000 and a contingency reserve of \$250,000, totaled \$830,291, or 51 cents per share of common stock. In the same months a year ago net of \$496,000 after a materially lower tax allowance, were equal to 30 cents a share. The first quarter results are probably a reason-

able criterion for what may be expected for the full year and with ample allowance for increased taxes and lower profit margins, the probabilities are that earnings will be at least as good, if not better, than in 1941. On the basis of this prospect, dividends should equal the \$1.25 paid last year.

Weston Electrical Instrument

At the annual meeting of stockholders held early in April, E. S. Weston, President of Weston Electrical Instrument, stated, "We are working practically 100 per cent on war work and all our commercial work has passed away, but this isn't as bad as it sounds. Many of our customers are also in war work." Manufacturing, under normal conditions, more than 600 types of electrical measuring instruments, the company has been able to convert its facilities to the war effort with a minimum of difficulty. Though the company has expanded its plant to some extent, most of the increase in space necessitated by greatly increased volume of orders has been on a lease basis. Last year the company reported earnings of \$937,638, and after an allowance of \$200,000 for post-war contingencies, net applicable to the common stock was equivalent to \$4.60 a share, comparing with \$4.57 a share in 1940. Confronted with the prospect of substantially increased taxes this year, the company is fortunate in having a simple capitalization, which is comprised solely of 160,583 shares of stock. Thus favored, the probabilities are that earnings in 1942 will compare favorably with the pre-war average. Finances are comfortable and maintenance of the recent dividend rate of 50 cents quarterly appears to be a justifiable expectation. At recent levels around 24 the shares would seem to merit consideration on an income basis.

Square D Co.

The extent to which current taxes are levying a toll against earnings is well exemplified in the case of Square D. In the first three months of the current year the company reported an increase of approximately 80 per cent in sales, and earnings, before taxes, were better than 100 per cent larger than in the same period last year. After taxes, however, net was down 17 per cent and was equivalent to \$1.23 per share for the common stock, as against \$1.44 per share in the first quarter of 1941. Over the ensuing months sales figures promise to compare equally favorably with last year's, but it is a foregone conclusion that earnings, after taxes, will be substantially under the \$7.13 a share shown in 1941. Dividends last year totaled \$3 and thus far in the current year payments have been maintained at the rate of 50 cents quarterly. Assuming that dividends this year may not exceed \$2 a share, the shares at recent levels around 30, nevertheless, would appear worthy



Philip Morris Photo

JUNE 13, 1942

Another Look At Your Company

of retention on an income basis in anticipation of improved market conditions.

Corn Products Refining

In the first three months of the current year Corn Products Refining absorbed the equivalent of \$2.42 a share on the common stock in taxes. Stated otherwise, taxes in this most recent period were equivalent to 74 per cent of earnings before taxes. As a consequence, and despite the fact that operating income was more than double that of a year ago, earnings registered a decline of nearly 15 per cent from the level reported in the first three months of 1941. Applied to the common stock earnings this year were equal to 68 cents a share against 81 cents a share last year. Profit margins will undoubtedly be somewhat impaired this year by higher costs and taxes, although these factors promise to be alleviated to some extent by substantially increased volume. As the company's prospects now shape up, it would not be surprising if earnings failed to cover the \$3 dividend. Payments at the rate of 75 cents quarterly, however, are accorded a measure of protection by the company's exceptionally strong financial position.

Black & Decker

Reported sales of Black & Decker, which in the last fiscal year established a new high record, continue to expand and for the six months to March 31, last, totaled nearly \$7,000,000, as compared with slightly over \$5,000,000 in the same months of 1941. Larger volume, however, has not been adequate to absorb the impact of higher taxes. In the first three months, for example, net applicable to the capital stock was nearly halved and was equivalent to only 75 cents a share as against

\$1.46 a share in the same period of 1941. In the first half of the company's current fiscal year, which ends September 30, net was equal to \$1.76 a share, as against \$2.18 a share. Moreover, it should be borne in mind that taxes, this year, are being computed on the basis of the 1941 Revenue Act. Despite the adverse implications of recent earnings reports, earnings should continue at a level sufficient to warrant dividends on a par with 1941, when total payments amounted to \$1.80 a share. The company is credited with being the world's largest manufacturer of portable electric tools. These products, in the present setting, are used extensively in the manufacture of aircraft as well as in practically every branch of ordnance manufacturing. In addition to large Government orders, the company's subsidiaries in Australia and Canada are also producing large quantities of war equipment. Favored by a comfortable financial position and a simple capitalization, the shares at recent levels of around 17 seem reasonably priced both in relation to prospective earnings and probable dividends.

Mack Trucks

According to the corporate tax schedule proposed by the House Ways and Means Committee, Mack Trucks would have a tax credit base which, after allowing for 40 per cent normal and surtaxes, would be equal to \$3 a share. Even if no allowance is made for profits in excess of the credit base, of which 6 per cent would accrue to stockholders, the shares at recent levels around 30 would appear reasonably priced. Further substantiation of the conservative valuation which the market currently places on the company's prospects is the fact that at the end of 1941, net current assets were equivalent to \$45.86 per share—50 per cent in excess of current market values. Last year the company's sales increased nearly 74 per cent and established a new high record at \$76,560,266, compared with some \$44,000,000 in 1940. Despite the fact that taxes last year amounted to more than \$9 a share, the company reported earnings of \$2,944,319, equal to \$4.93 per share on the 597,335 shares of capital stock outstanding. Last year's results compared with \$1,805,821 or \$3.02 a share reported in 1940. In the face of extremely liberal allowances for taxes and contingencies in the first three months of the current year, earnings totaled \$770,333 or \$1.29 per share, as against \$1.10 a share in the same months of 1941. Earnings in 1941, however, were computed on the basis of 1940 taxes so that actually the current comparison is more favorable than indicated. Taxes this year were set up at the rate of 70 per cent, in addition to which the company established a reserve for post war contingencies of \$250,000.



Mack Truck Photos

Stockholders' Forum

The Case Against Increased Executive Remuneration Among Companies Whose Expanded Volume Is Due to War Orders

THE question of what constitute's fair or adequate remuneration for any corporate manager is always a moot one. It "all depends." The president of a company, which is losing money due to circumstances beyond any possible control by the management, may work harder and have more ability than the president of a company in a different field of activity which, favored by external circumstances is making money.

In a highly competitive industry—for example, automobile manufacture—it would seem reasonable to concede that qualified executives are worth more than are executives in a non-competitive situation such as a public utility—although some utility managers seem to think that the mere size of properties and business volume justifies high pay.

We can't agree with stockholders who say that officer remuneration should be geared in large measure with dividends paid. There are too many variations of circumstance which would make this impractical. For instance, some railroads haven't a ghost of a chance of paying dividends but have to have able managers. Again, take the case of a non-war enterprise like General Foods. Increased taxes—and that alone—have forced a moderate reduction in the dividend. That is no fault or deficiency of the managers. Their administrative problems and difficulties are greatly increased by the war, rather than decreased. If they can maintain the company's financial integrity and trade position through this period, and pay a fairly good dividend, there is much to be said for a good reward. Then too, there are some companies—United States Steel, for example—in which the remuneration of the officers does not go up in years when earnings and dividends increase, so there does not seem to be ground for valid complaint if salaries are not reduced in off years.

Yet in one respect there is a high degree of agreement among stockholders, judging by the letters we receive. There is widespread opposition to increased remuneration for managers of companies whose current big volume is due solely or mainly to Government war orders. It is felt that this non-competitive business is simply a windfall, due to no real increase in the effectiveness of the managements and hence that it should not be the basis for increased remuneration.

In these cases salary increases, for top executives, voted by the directors, are subject to valid criticism, in our opinion. But in many cases the increase in total remuneration is due to a previously established bonus agreement, geared automatically to earnings. In such

Look It Over Before You Sign

"Have read with a great deal of interest the comments on high salaries and bonuses, and additional annuities, as being paid and provided for executives of large corporations.

"Surely, if a manager of a corporation receiving 50 thousand or more a year, cannot provide a retirement income for himself and those dependent on him, his judgment on financial affairs is deficient, and would not this, in some cases, apply to the corporation, whose affairs he is supposed to supervise?

"I have equities in a number of corporations. Here are four of them and the approximate salaries and bonuses they pay. Nash-Kelvinator, \$225,700; Sperry Corp., \$181,000; Armstrong Cork, \$125,000; Celanese Corp., two officials each over \$180,000.

"In addition to this the stockholder is asked to vote for payments of retirement annuities.

"What can be expected from employees asking for higher wages, from companies paying such exorbitant salaries to their managers?

"Such high salaries should be reduced to reasonable levels, either by the board of directors, or a law passed by Congress, and it will come if the corporations do not see fit to put their own house in order. I may state that as a general principle I am opposed to Federal interference in private interest; we have too much of it now.

"I have consistently voted against large retirement pensions and annuities for high salaried officials. But it seems that selections of directors and any other measures sponsored by the managements are nearly always carried. It is very likely that most of the stockholders do not think it worth while to send in the proxies. Let us all vote; we may not have the majority of stock but a large opposition vote may have some effect.

"The Armstrong Cork Co., having 9,200 stockholders scattered over all states in the union, voted for annuities 1,006,564 shares and only 15,056 shares against. I do not think this would have been possible if all the small stockholders had read the resolution and then voted.

"Let us all vote the proxies."

M. S. KLEPPE,
Great Falls, Mont.

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cases it is mainly up to the conscience of the individual executive whether bonus increase due to the war activity should be foregone or reduced. Some *do* have a conscience. For instance, President Thomas J. Watson, of International Business Machines Corporation, initiated recently a major reduction in his own large remuneration.

The Treasury has considerable leeway for discretion in deciding whether any given increase in executive remuneration is "according to Hoyle" or a device for reducing the corporation's tax liability. The unnamed instances of abuse officially cited recently appear to be all small, non-listed corporations. From the stockholders' point of view, correction of corporate abuses by Government initiative is a two-edged sword. The "remedy" might leave the equity owners further back in the receiving line than before. Speaking of taxes, if a company is subject to the pending excess profits tax rate, no reduction in executive remuneration could have any material effect upon earnings or dividends. Out of

every such dollar transferred from payroll costs to profits before taxes, 94 cents would go to the Government in taxes and 6 cents to net income. Still, it's the principle of the thing that has so many minority shareholders "het up."

Thinks Stockholders Must Organize

"In your May 30 issue and prior issue, I have noted your comments on the plight of the stockholder in the present crisis and have just completed reading the Stockholders' Forum in the May 30 issue, all of which is very interesting and timely.

"I venture to suggest to you that you should send a copy of both of these issues to each and everyone of the members of the Ways & Means Committee of Congress and also to the Finance Committee of the Senate so that they will learn the attitudes of many of the investors of the country who really own all the large industries.

"The most brazen and unmoral situations at the present time are that many of the large executives of our country are taking advantage of the stockholders, in extravagantly boosting their salaries and in addition, granting themselves bonuses and annuities. All of these facts militate against the stockholder to the extent that they deplete his dividends to which he is rightfully entitled because of his ownership. The executives and other officials who are guilty of such processes, are really taking advantage of stockholders' rights to the extent that, by these increases of their salaries and other perquisites, they are exempting themselves from the tax increases which are in prospect and are therefore not changing their living conditions, by virtue of such tactics, but the stockholder is forced to adjust himself to the war conditions and make the sacrifices called upon.

"What is so necessary at this time is for a movement to embrace all or part of the investors of the country and form a pressure group who would have the ear of our legislators in Washington. There have been many attempts made, I know, for such organization, but they are insignificant, comparatively speaking, when considering this whole situation. If such a group is ever inaugurated and is formidable enough to have an enrollment of 5,000,000 votes, I am certain that management, as well as our politically-minded legislators, would not be so free to indulge themselves in such methods as we know exist today among them.

"I am happy to know that you have devoted time and space in your magazine to bring this matter to the notice of the public, but as your magazine, while having a large enrollment of subscribers, nevertheless, does fall short of what I deem necessary for a national organiza-

"There Is a Storm Brewing"

"Many small stockholders I meet complain about corporation executives continuing their own large salaries during bad times. Recently they are finding fault with the tendency for corporation executives, who have been drawing large salaries, to have a resolution passed providing for annual retirement for the same executives, premiums to be paid out of company funds.

"These small stockholders believe that when times get bad and dividends have to be reduced, corporation executives should reduce their salaries, and they further believe that those who draw liberal salaries should be able to provide for their own old age retirement by paying their own premiums.

"Unless I am very much mistaken, there is a storm brewing and the management group is going to have to face it. The sooner they prepare to face it, the more stockholders' good will they will retain and the more chance they will have of preserving corporate enterprise after this war is over. If big management today feels that it has something to worry about concerning the government's attitude toward corporate enterprise from now on, it is certainly going to need the active support of the small stockholders fraternity."

WALTER H. WUERDEMAN,
Washington, D. C.

Stockholders' Forum

tion, I have made these suggestions:

"I trust you will carry out my suggestion to mail gratis to the members of the Finance Committees of the Congress and Senate, the issues referred to, as I feel this would give them a clear understanding of what the investors are thinking throughout the country."

B. FLOERSHEIM,
Pittsburgh, Pa.

"Even If It Costs Me Some Money"

"I have read with great interest every word published by you regarding stockholders' rights.

"It looks as though the management and labor are trying to squeeze the stockholders out of any just return from their investments. If this continues, the dollar will certainly not be put to work in any capacity. This, of course, would spell the doom of our great industrial empire.

"I wish to add nothing except my O.K. to all you have to say. I want to be counted in on any plan to safeguard our rights in the future even if it costs some money."

J. B. COWHERD,
Kansas City, Missouri.

Keep It Up

"Upholding Stockholders' Rights," in issue of 16th, I find decidedly interesting.

"The negligence of stockholders is rather hard to understand.

"After signing a proxy recently, I read the statement of what was to come up at the meeting and thereupon cancelled the proxy, then I sent in a proxy against certain things which I did not approve of.

"My experience with stockholders meetings, is that they know about as much after the meeting as they did before.

"I hope you will pursue the matter."

OSCAR L. JOHNSON,
Washington, D. C.

Shareholders Are Waking Up

"Your article on 'Upholding the Stockholders' Rights,' is worthy of commendation. In addition to protection against their own executives, protection is needed against politicians and unwise and unjust laws. It is my impression that we have gone too far in providing pensions for employees who do not have the interest of the company at heart. Where the employees are faithful over a period of years there is no question but what they deserve suitable provision for their old age.

Executives should be well paid but not over paid. There is much that your magazine can do to improve the stockholders' position. I disagree with one of your correspondents who says 'while most people in contact with business regret the encroachment of government into industry, I know of no other redress for the small stockholder.' There is an awakening among stockholders and with the leadership of the MAGAZINE OF WALL STREET and other groups I am convinced that redress may be had where unfortunate situations now exist.

"Letters of the type quoted will prove effective. One should keep in mind that the Government was going to save the utility stockholders but instead they ruined the stockholders and wrecked the industry. The points that should receive serious consideration are: salaries, wages, pensions, bonuses, and options to buy stock at a fraction of its value.

"At a recent meeting of Kennecott Copper a summary of important business transacted at the various meetings of the Board of Directors' was presented. The officials are to be commended for this farsighted innovation. This should be an important part of every annual meeting."

H. M. TURNER,
New Haven, Conn.

For Organization

"I heartily agree with your editorial Page 180 of the May 30, 1942 issue, and have written our Senators and Representatives recommending it to their consideration.

"I also heartily agree with all you are doing to try to make stockholders articulate and this principally accounts for my subscription to your magazine. I have owned stock and signed proxies in some companies when it has seemed that the management had been so wretched that the entire list of officers and directors should properly be ousted, also when the compensation paid to officers and directors seemed quite out of proportion to earnings or magnitude of operations. But how is a small stockholder to be sure of or help such things unless he has some organization to which to look for information and assistance? I shall be very glad to join any organization that seems reasonable and of likely help in serving such purposes."

H. F. NORTON,
Newport News, Va.

"Business As Usual"— But More Of It

BY WARD GATES

OFFICIALLY "business as usual" is as dead as a "dodo." In most lines it is equally dead in reality. But there are exceptions. There is a small group of typically American industries, essential to civilian needs, but not essential to the war effort, that are still doing "business as usual" only, in some instances, more of it.

In planning a united industrial front to back up the



General Foods Photo

military in the field all industries, vital or otherwise, must be included in the panorama. While certain industries were clearly defined, even before the outbreak of hostilities, as essential, others are "borderline," and still others are quite obviously non-essential, yet all must be embraced in the plan. As the war progresses; as needs become more definite and clear cut; as production estimates become realities and consumer needs take definite shape, readjustments and re-estimates are in order. Priorities listings change, and, as is the policy of successful administration, restrictions are cut to a workable minimum.

Some of the more important industries coming under the classification of almost "business as usual" are glass,

cement, fibres, and paper. That is, they have no serious array of difficulties. The most interesting, perhaps, is that of paper. It isn't the most interesting because of the dollar value of the industry, but because in this case there has been almost a complete reversal of official opinion. You will recall that when war first came upon us there was a hue and cry about an impending paper shortage. You will also recall that we were confronted with a spectre of a "paper-less" world for civilian use; we were told that wrapping paper would be but a memory and that newspapers and magazines, containers, etc., would be reduced to just above a "vanishing point." Now we know better. Adequate supplies of paper and paper products are available and, of course, a democratic form of government was able to reverse its original judgment.

Before discussing any of these particular industries as a unit, it is only proper that they be viewed collectively. They are all essential to civilian needs. Deprivation of them would have worked a hardship upon the American people; their continued accessibility will make life that much easier in times of stress.

Because paper is the most interesting example of "misjudgment" suppose we discuss the paper situation first. Not only is there plenty of paper available, but actually the demand for paper is falling off. Virtually all paper mills are now down to 92 per cent of capacity and the paper board mills have dropped to 77 per cent. At the start of 1942 both groups were operating at 100 per cent plus capacity and prices were strong. Now the price structure is definitely weakened.

To trace the various ramifications which brought about this decline would be tedious and serve no useful purpose; therefore let us confine ourselves to the major point that demand fell below expectation while supply rose above predictions. Originally it was believed that Army and Navy and lend-lease requirements would take up tremendous quantities of paper board, with very little left for civilian use. The demand failed to develop.

Normally container board use is an excellent barometer of general business conditions as well as freight activity. The decline in demand reflects curtailment of shipments by numerous industries converted to war-time production, such as radios, small electrical appliances and similar goods, usually packed individually as against bulk packing for war production goods. At the same time it reflects an evident falling off in future orders from distributors and retailers, because of price ceilings, fear of inventory control and declining retail trade.

The American Paper and Pulp Association summed up the situation for the first six months of this year in three conclusions: (1) Current order backlogs are sufficient to indicate generally high operations for nearly all branches of the industry during most of the first six months of this year. (2) By the third or fourth quarter of the year, possibly earlier, the effect of restrictions on civilian goods should be apparent and result in lower operating ratios in some grades of paper. (3) Sufficient capacity exists to produce estimated paper requirements this year and no major shortage is likely to develop during the year. Stringencies arising from the war program, including a possible shortage of transportation facilities, may, however, affect the situation adversely before the end of the year.

A picture of the paper situation can be gleaned by this analysis of the first three months of 1942 as compared with a similar period last year. Printing papers, production, 1942, 577,936 tons, 1941, 487,801; orders received, 544,513, and 534,671; shipments, 567,982 and 494,787; unfilled orders, 124,637 and 108,302. Fine papers, production, 189,301 and 135,371; orders received, 175,139 and 154,741; shipments, 600,551 and 508,065; unfilled orders, 105,807 and 35,612. Wrapping papers, production, 607,808 and 504,736; orders received, 589,947 and 558,380; shipments, 600,551 and 508,065; unfilled orders, 160,881 and 135,387. Paperboard, production, 2,129,515 and 1,740,222; orders received, 2,960,980 and 1,931,039; unfilled orders, 440,103 and 337,022.

The situation is quite different as it applies to glass. Glass, which is one of the oldest of all industries, is proving its worth to manufacturers confronted with a priority stonewall in other materials. Many new uses are being found for glass, such as tempered plate glass as substitute for steel as shelves; modernistic furniture where glass is replacing chromium; basketball backboards, flower boxes, radiator covers, swinging doors and even burial urns. Flat glass demands haven't been so great but laboratories are burning the midnight oil



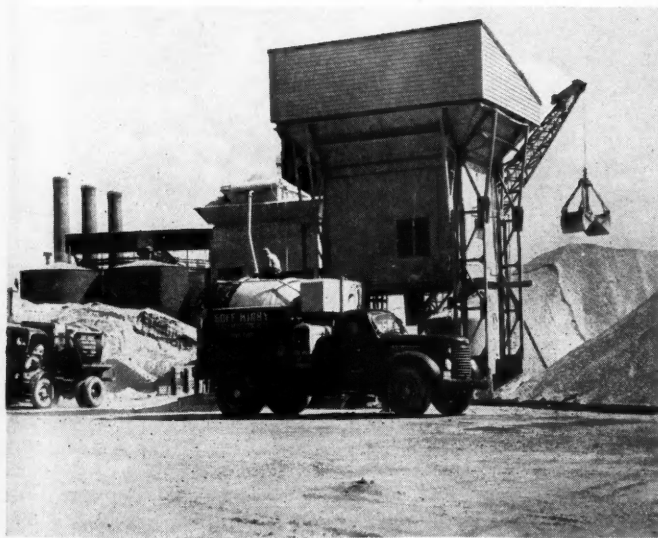
Sawders from Cushing

developing or seeking to develop new uses for this product. However, it must be borne in mind that substitution of glass for metals can, at best, be but temporary in most instances. The growing demand for glass comes at a most propitious time for the manufacturers whose capacity is ample to care for almost any increased calls. The basic materials used in making glass—soda ash, silica sand and limestone, are all produced in this country in abundance. At the outbreak of the war it was feared there would be a shortage of soda ash but the industry came through by stepping up production by 25 per cent.

The two leading firms in the flat glass industry, Libby-Owens-Ford and Pittsburgh Plate Glass Company, for the past two years have been carrying on exhaustive research and development work. The outbreak of war broke down barriers and new developments were placed upon the market instead of being held for further development as normally.

Until recently manufacturers had considered the use of glass limited by its physical properties, especially where strength was essential, but this is no longer true. By tempering (rapid heating followed by instant cooling) plate glass, its strength can be increased to four or five times that of regular plate glass of the same thickness. Because of this, broad new fields have been opened. This new tempered glass is used at the bottom of doors as kickplates, railroad car doors, sinks and drainboards, ironer and cabinets and steam table tops as well as countless other products.

The shortage of tin will create the demand for more and more (Please turn to page 256)



Cushing Photo

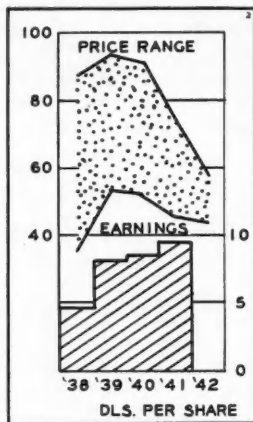
Five Stocks Cheap Under Highest Taxes

BY PHILIP DOBBS

Chrysler

Although the cessation of private automobile production and the conversion of plants to the production of war materials resulted in a sharp drop in sales and earnings of Chrysler Corp. during the initial quarter of the current year, the full year promises to witness new all-time sales records. Early this year the management announced that the company this year would do around three times as much business as the annual average of the past five years and more than twice the total peace-time business achieved in any one year. Practically all plants and personnel have now been concentrated on essential war products and output includes such important items as tanks, various types of Army trucks, engines, aircraft, guns and ammunition. Shipments are said to be exceeding the most optimistic estimates of a few months back. In a

somewhat similar position to that of Borg Warner, Chrysler can look forward to a record volume of business under war-time conditions and is so situated that it will be able to resume production on regular peace-time lines with a minimum of expense and delay. Since the longer the war lasts the greater may be the pent-up demand for the numerous automotive and other peace-time necessities manufactured, the longer range future also appears bright. The principal uncertainty now is, in common with industry generally, that of taxes and the amount likely to remain available for shareholders after such payments. Last year the company reported earnings equal to \$9.22 a share, but it is apparent that under the tax proposals now in prospect, these earnings would have been lower. How much lower may be judged by applying the proposed new rates to the earnings shown before taxes for last year. Such a procedure will not, of course, accurately portray earnings this year, but it does give a pretty good indication of the minimum likely to be achieved, since the further rise in volume is not taken into account. On the basis of average earnings for the years 1936-1939, the company would have a tax credit base of some \$49,000,000. Applying the

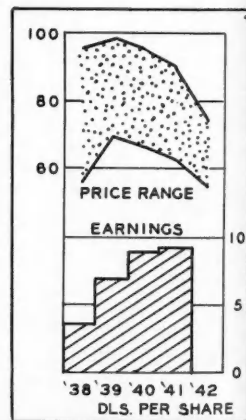


40 per cent surtax and normal tax figures to those earnings and reducing the total to a per share basis, the company would show a balance equal to \$6.84 a share. However, it would also receive 6 per cent of the earnings shown above the tax credit base and for last year this would have equalled approximately 28 cents a share, bringing the total for last year to \$7.12 a share as compared with the \$9.22 a share actually earned. It is apparent, therefore, that Chrysler's earnings will not be seriously hurt, although profit margins on dollar sales obviously are substantially reduced. Nonetheless, the stock should be able to continue to yield an attractive income return and may be expected to act well in any upturn of the market as a whole.

Inland Steel

On the assumption that the schedule of corporate taxes proposed by the House Ways and Means Committee is ultimately enacted, it will be to the advantage of Inland Steel to use the "average earnings" option. On this basis, and according to published earnings, it would appear that the company has a tax credit of about \$12,112,500, before normal and surtaxes. Allowing 40 per cent for the latter, the balance would be equal to \$4.45 a share. In 1941 earnings subject to excess profits totaled about \$26,000,000 which, if taxed at the rate of 94 per cent, would have left about 95 cents a share, or total earnings of about \$5.40 a share against \$9.08 a share actually reported. Recently quoted around 56-57, Inland Steel common shares would seem to have made adequate allowance for the substantially increased tax burden which the company will be compelled to absorb this year.

Owing to the extremely volatile character of the steel industry there are very few steel stocks which qualify for investment consideration. Inland Steel is an outstanding exception by reason of the company's ability to earn money and pay dividends under all but the most unfavorable conditions. In recent years, 1933 was the only one in which stockholders did not receive a divi-



dend. Company's plants are located in the strategic and important Chicago area. Products are diversified to include a full line of lighter steel products as well as the heavier items such as structural shapes, rails, etc. Sales and shipments reached a new high record last year and profit margins rose to 19.4 per cent from 15.8 per cent in 1940. Capacity operations are assured throughout the war period, while the probable let-down in the post-war era should be cushioned by the pent-up demand for steel sheets and other light products formerly used extensively in the manufacture of automobiles, refrigerators and other consumer durable merchandise. Dividends totaled \$5 a share last year and quarterly payments at the rate of \$1 have been made thus far in 1942, which on the basis of conservative estimates appear reasonably assured.

Borg Warner

Early to recognize the need of American industry to convert to the production of armaments, Borg Warner faces coming months with the assurance that dollar volume of sales will exceed those of even the prosperous year 1941. In the first three months of the current year, dollar sales were up 45.8 per cent over a year ago and the management indicates that a further increase in the comparative figures will be recorded as the year progresses. The change-over from the production of automobile parts to essential war materials has been effected with great dispatch and new plant capacity will enable the company to step up deliveries on the large Government contracts on hand and in prospect.

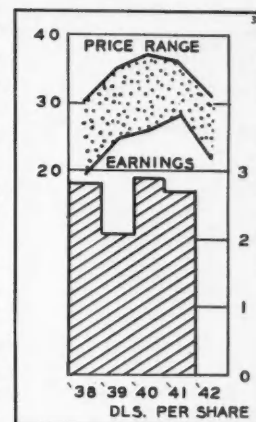
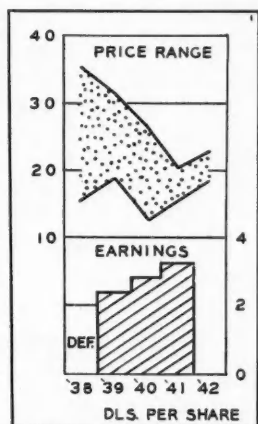
Since the bulk of the concern's current activities are devoted to ward goods, it enjoys high priority ratings on raw materials and is accordingly faced with no serious problems in that regard. From the standpoint of tax vulnerability on the basis indicated as likely to apply against earnings this year, we may obtain a fair picture by assuming that these rates were in force in 1941. In that year the company showed earnings equal to \$3.20 a share. Since this company also would find it advantageous to use the "average earnings" option, we find that it would have a tax credit, before normal and surtaxes, of approximately \$6,750,000. Applying the proposed 24 per cent normal and 16 per cent surtax to that figure, the company would have shown a balance of roughly \$1.75 a share. Earnings subject to the 94 per cent excess profits tax amounted to \$18,250,000 and the balance left after the tax would have approximated another 43 cents a share, or total earnings of \$2.18 a share as compared with actual earnings of \$3.20 a share, under the tax rates applying in 1941. Since all indications point to a further increase in earnings before taxes during the current year, it is likely that the actual earnings after taxes will run higher than the theoretical

\$2.18 a share figure. The company paid a total of \$2 a share in 1941 and has paid one dividend so far this year of 40 cents a share. Once the management is in a position accurately to judge earnings after taxes, additional dividend payments probably will be forthcoming, with the total for the year likely to approximate that of last. Thus, the stock at recent levels of around 23½ provides an attractive return and in the post-war era reconversion doubtless will allow maximum progress in meeting anticipated heavy civilian demands.

W. T. Grant

In selecting W. T. Grant, we have not been unmindful of the fact that the company may have difficulty in securing certain lines of goods under war-time conditions and that the organization will not derive direct benefits such as is the case with many manufacturing concerns. On the other hand, the company normally handles a variety of soft goods and other merchandise sold to agricultural and industrial workers and since there is no threatened shortage in such items, the rising trend of customer buying buyer is of favorable significance from a dollar sales viewpoint. An examination of the income account for the fiscal year ended January 31, 1942, reveals a new record high in sales volume with a total of \$130,555,907, comparing with \$111,774,965 in the preceding fiscal year and \$103,761,686 for the 1939 fiscal year. Despite the rise in taxes last

year, the company was able to show the equivalent of \$3.44 a share on the \$1,189,000 shares of common stock, after allowing for dividend requirements on the small issue of preferred stock outstanding. If we apply the proposed 40 per cent normal and surtax rates, together with the 94 per cent excess profits tax to earnings before taxes as reported for the last fiscal year, we find that the company's earnings would have been around \$2.14 a share on the common stock, as contrasted with the actual earnings reported of \$3.44 a share. This is a more drastic reduction than indicated on Chrysler, for example, since the tax base is low in relation to the record earnings shown for the last fiscal year. Nevertheless, the company's finances are in excellent shape, with net current assets as of January 31, 1942, amounting to \$22,777,325, comparing with \$19,870,721 a year before. Of current assets, cash and equivalent alone amounted to approximately \$9,900,000. Total current liabilities amount to only \$12,937,478. Dividend payments in the year 1941 totaled \$1.40 a share and thus far this year there has been a total of \$1.30 a share distributed, with quarterly payments of 35 cents a share indicated. In our opinion the company's strong finances and promising sales outlook lends considerable appeal for one interested in income return. (Please turn to page 255)



ON THE INDUSTRIAL FRONT

PLANT CONVERSION — WAR PROBLEMS — NEW METHODS

Developments of Interest to All Businessmen —

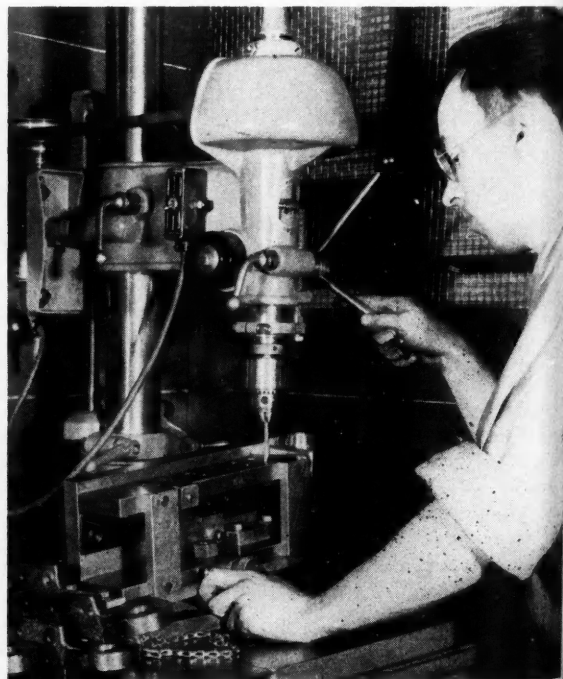
Editor's Note: This page is devoted to case histories of small plant conversions. In accordance with War Production Board policy, names and addresses are not presented.

The girls working in the Buffalo plant of a leading manufacturer of women's hosiery, lingerie and related items were surprised one morning in August, 1939, when they were told by their foreman they were to make mosquito netting for the armed forces. The plant rapidly turned its machines and workers' skill to this end and it is now working on its seventh contract, totalling more than \$600,000. Since the first order was received the plant has turned out more than 500,000 yards of the material for the Army Quartermaster Corps, Army Medical Corps and the Navy. The firm had 100 flat knitting machines used normally to make various types of fabric for lingerie from silk, rayon and other materials. To convert these they had only to remove a small gear called the "pattern wheel," and to substitute another for the production of the netting.

From making golf clubs to heavy ordnance work is the story of a 65-year-old famed sporting goods house, whose name is known throughout the world—including Japan and Germany. The six giant hammers in its forge shop, pounding away at pressures ranging from 1,000 to 2,500 pounds are turning out parts for shells, sub-machine guns and marine equipment. The company will be operated on a 70 per cent war conversion basis by next September.

Within a space of two years a Brooklyn oil burner company has converted its plant facilities 100 per cent, through sub-contracts for marine equipment. Its ear to the ground the firm assigned its salesmen to gathering war contracts, first from Britain and France and then from the United States. The "V-9" Company had regularly done machine shop work along with its production of oil burners and industrial strainers. Obtaining subcontracting orders on machine work for war contractors, however, called for better than commercial tolerances. To meet this need, the company added some

\$12,000 worth of new and rebuilt machinery to supplement its equipment of turret lathes, box lathes, screw machines, milling machines, drill presses and finishing facilities. At present the firm is working for a dozen prime contractors, and at times is working on as many as 300 varied parts requiring from several to 25 or 30 machine operations, some calling for tolerances as fine as .0003. Starting a night shift recently the firm is working 19 hours a day, has doubled its shop force from 50 to 100, and expects further expansion.



N Y A Photo

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RESS

A wild scramble on the part of business groups, especially the smaller ones, striving to get war contracts is now under way. The scramble started with the recent stopping of production on hundreds of non-essential civilian items. Firms dependent upon such business must secure war contracts or fold up. But it isn't as simple as that. Lack of raw materials may prevent many plants from converting their resources to war work.

Small business hasn't been entirely forgotten, however. Without a dissenting vote the House passed a \$200,000,000 measure which was designed to utilize the facilities of small business for production of war and essential civilian goods. The unanimously approved bill went back to the Senate for a vote on two major House changes, chief being a requirement making it almost mandatory for government war agencies to award contracts to small enterprises capable of handling them.

Frozen fish as well as canned fish are being frozen, according to a recently issued order by the WPB ordering canners to set aside for the Government their entire 1942 pack of salmon, sardines, Atlantic herring and mackerel to assure ample supplies of these fish for the armed forces and for lend-lease. That doesn't mean, however, that none of the 1942 pack of fish covered by the order will be available for civilians. The 1942 salmon pack is estimated at 5,400,000 cases, of which only about 2,500,000 cases are expected to be required this year for the armed forces and lend-lease.

Col. George S. Brady, well-known materials expert and chief of the materials statistical section of the Board of Economic Warfare, warmed the hearts of substitute materials manufacturers when he declared, "many of the substitutes incorporated in industry during the past year are alternate materials far superior to the originally used materials".

General Electric has prepared an all-color sound movie to expedite the training of thousands of metal arc welders needed for the fabrication of ships, tanks, aircraft and other war equipment. The film is in six parts. Part 1, now available to industrial welding schools, employers and the public, is expected to cut training time by about 20 per cent.

Blackouts, expected to replace dimouts in many localities, especially since the Japanese raid on Dutch Harbor, Alaska, is producing a brand new crop of new products. One of the newest of these is a luminous slipper being introduced for fall and winter. Known as the Glow-worm, it is intended for the college girl trade. The slippers can be located easily in a blacked-out room.

Caterpillar Tractor Company of Peoria, Illinois, does more than build tractors for the army; it keeps 'em rolling. The company has just concluded a 30-day service school for non-commissioned officers and men from the Mobile Shop Companies of the 470th and 471st United States Engineers, Fort Belvoir, Va., to teach them how to care, repair and operate the "cats".

All talk of pirating of war labor is branded as idle by the bulk of war contractors who claim they have encountered little or none of this practice. Orders to "freeze" labor imminent in critical industries has had little reaction among contractors. Several leaders in the machine tool industry claim shifting of labor has almost ceased.

Although the start was poor the recovery of tin from used cans is improving. In New York the persistent household campaign has yielded 60,000 lbs. of tin since March 11 and 3,000 tons of scrap steel. It is expected that properly directed efforts can easily recover some 5,000 tons of tin and about 500,000 tons of fairly well detinned steel scrap.

Light weight construction and less brittle glass is certainly going to give the glass industry a "break" in the container field. It's still too soon to know how much of the food pack will find itself imprisoned in glass, but coffee is a sure one—while syrup looms likely. The only obstacle is the wee bit of rubber required in sealing. If the expected green light is flashed for use of that material a spurt in glass containers is expected at once.

Stocks of safety razors held by manufacturers and jobbers may not be sold except to the Army or the Navy, according to a WPB order. However, retail stocks are not affected.

The WPB froze mill prices of Appalachian hardwoods at levels based on those of October 15. This establishes specific prices for the various standard and "recurring special" grades and provides that special grades be priced by applying the differential which would have been used October 1-15.

Restrictions on the use of natural gas and of petroleum products is giving a much needed "lift" to the coal industry. Competitive markets have reopened in certain areas, where, heretofore, coal ran a bad third, and coal people, conscious of their opportunity are striving to hold whatever gains are made for the post-war period.

The eleventh hour reprieve granted by the Office of Defense Transportation to industry by amending its restrictions on the use of rubber-tired commercial vehicles, is hoped to result in less drastic restrictions than the original plan to demand 75 per cent load on return runs. This ruling, business insists, makes operation of many vehicles not only unprofitable, but actually prohibitive and will hamstring business.

The loss of hemp supplies when the Japs seized the Philippines may be alleviated to some extent if the tests being made by the Yucca Fibre & Products Company, with headquarters in Chinatown, San Francisco, are successful. They began field tests of a machine to extract fibres from the leaves of the yucca plant (plentiful in the waste lands of Arizona and New Mexico). If the plan lives up to expectations there will be a plentiful supply of raw material for rope, mattresses, burlap, and upholstery. Some of the losses experienced by difficulty in procuring jute from India will also be recouped.

The rail transportation problem is going to be felt on the Pacific Northwest coast this fall. Fuel in the Portland area is growing more scarce daily. House heating is expected to be done with substitutes, if at all. Briquets have been sold out, wood is scarce and must be cut by the individuals and only a mild winter can save the day.

Industrial production chiefs are focusing their eyes on the meeting in Washington between Brazilian and American consular officers and industrialists. Brazil is expected to be the storehouse of raw materials which will solve many a ticklish problem. Brazil is anxious to develop her export business in raw materials and, if ships can be obtained, financial assistance will probably be granted the largest American republic to insure a steady flow of these supplies.

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities*.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope*.
4. If not now a paid subscriber use coupon elsewhere in this issue and send check at same time you transmit your inquiry.

Special rates upon request for those requiring additional service.

Continental Can Co.

Am I right in feeling that the recent dividend cut and subsequent sharp decline of the stock marks a full readjustment by this company to wartime conditions . . . leaving the way clear for growth as emphasis is put on more "essential" production and priority-free items? Do you anticipate the necessity of further reduction of the dividend this year? What is your opinion of the future of this stock marketwise? Under the circumstances would you advise retention of my 110 shares for which I paid 28%?—A. D. J., San Francisco, Calif.

With Continental Can selling some 16 points under the 40½ top of 1941, this issue has gone a considerable distance in discounting the effects of the war on the company's status. The corporation is the second largest manufacturer of tin containers in the United States and naturally has had its share of worries because of growing paucity of tin supplies. As a result there will be a sharp curtailment of tin cans from many general lines of civilian uses such as beer, meats, coffee, tea, spices, chemicals, paints, varnishes, insecticides, oils, etc. However, it is expected that packs of essential foods for 1942 will be larger than those of 1941. The broad substitution of black plate, on which no restrictions are enforced as yet, for tin, means that Continental will enjoy a good volume of business for

1942. Prospects of Continental's expansion in the paper-box field are believed to be good. Earnings in 1941 were \$2.62 a share against a \$2 dividend. Presumably, 1942 profits may fall below those of 1941 because of the increased taxes as well as higher operating costs and difficulties arising from the tin situation. The reduction in the Continental Can common dividend recently from 50 cents to 25 cents was somewhat of a surprise. Although the possibilities of a cut was anticipated, it was not looked for until later in the year. However, it is regarded as a conservative action on the part of the company in view of the various uncertainties surrounding the industry. It is reported that the company has been covering the \$2 rate with a margin to spare but obviously there are other considerations than earnings in these days. We cannot believe that the first quarter earnings of 1942 furnished a real comparative test of can companies' earnings because of a certain amount of stocking by

consumers before various W P B restriction orders went into effect. Continental Can is producing some war products and is likely to do more. With fairly good earnings prospects, the stock has average appeal and we would advise its retention.

Quaker Oats Co.

In your opinion will Quaker Oats' earnings this year cover the \$4 dividend on common—or will higher taxes necessitate a reduction? Is this threat the major factor determining its present depressed market value (now near its 1942 low)? I notice that the company has widely diversified its line, entering new fields and introducing several new products. Are any of these yet contributing importantly to earnings? Are there any new developments which would make it possible to regain the lost foreign business handled by the Canadian plant? Your comments on the above and advice on 100 shares bought at 62 will be appreciated.—J. M. G., Bronxville, N. Y.

Quaker Oats is one of the world's leading manufacturers of breakfast cereals. Its principal brands, including Quaker Oats, Mothers Oats, Rice Sparkies, Wheat Sparkies, Aunt Jemima Pancake Flour, Muffetts and Quaker Kernels, are sold at almost every grocery store in this country and Canada, and in many foreign countries as well. The company also produces corn meal, hominy, wheat flour, rye flour and other staples, and does a considerable business in animal and poultry feed. In his report to stockholders as of February 11, 1942, Mr. John Stuart, the president of the company, revealed that the Quaker Oats Co. had been asked by the War Department to undertake the
(Please turn to page 253)

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FOR PROFIT AND INCOME

Second Grade Rail Bonds

Recently the Dow-Jones average of second grade railroad bonds hit a new low for 1942. In the face of traffic figures which are at an all-time high, market action would appear to have come under the same spell cast over the so-called war stocks. Reasoning seems to follow the line that the current prosperity of the carriers is directly the result of the war effort, and should the war end in the early future, revenues and earnings would go into a nosedive. There is no gainsaying the fact that freight traffic, as well as passenger travel, have been abnormally swollen by the war. Likewise it must be conceded that in the post war years railroads will be compelled to face competitive problems of no small magnitude. Granting the uncertainties evoked by these considerations it is possible also to find mitigating factors. For one thing, railway managements have been going easy on dividends and earnings in many cases are being used to reduce indebtedness and otherwise strengthen finances. To what extent this policy is pursued it naturally reverts to the ultimate advantage of bondholders. Moreover, the war has provided railroads an opportunity to give a striking demonstration of their greatly improved operating efficiency in recent years. Service has been greatly improved and modern equipment is enabling them to put a sizable dent in costs, with a corresponding strengthening in their ability to compete with other types of car-

riers. From an investment standpoint second grade railroad bonds are exactly what their name implies, but among selected issues are a number which yield a generous and reasonably well protected return.

Coca and Pepsi-Cola

A legal contest involving the use of the word "cola," and dating back ten years, has been finally ended with the following joint announcement by Pepsi-Cola and Coca-Cola "All litigation pending throughout the world is to be dismissed without cost to either party." Oddly enough

the decision which ended the battle was rendered by the highest court in Great Britain, which ruled that inasmuch as cola was the name of an African nut it was public property. The decision will probably have little or no effect on either company, with demand for both products apparently sufficient to support them without difficulty.

National Malleable

In the first quarter of this year National Malleable & Steel Castings reported earnings equal to 79 cents a share against 97 cents a share. The drop was somewhat less than the average reported by a cross section of leading industrial companies. Like most of the companies normally identified with the railroad equipment industry, National Malleable is playing an important role in the production of war materials and supplies. Plants have been promptly converted to the manufacture of armaments and munition, including marine anchor chains. The company at last reports had a large backlog of unfinished orders on its books. All of this business carries high priority ratings. Last year earnings were equal to \$3.68 a share which, with the current threat of greatly increased taxes, will probably stand



Doughnut buoys developed jointly by Westinghouse Electric and Firestone Tire will overcome many of the difficulties in guiding sea planes to a safe night landing. Lights are controlled on shore by a radio device.

as a record for sometime to come. The impact of taxes will be softened to some extent by the fact that the 483,961 shares of stock comprise the entire capitalization. Dividends of at least \$1.50 appear a reasonable expectation this year. At recent levels around 14-15 the shares hold out the promise of a liberal yield. At the end of last year the company's balance sheet revealed net quick assets equal to more than \$15 a share.

Oil Shortage

Coincident with press reports that plans are under way to ration gasoline on a national scale, talk was heard that railroads may succeed this year in stepping up deliveries to the Atlantic Seaboard to about 900,000 barrels daily. Present deliveries are in excess of 700,000 barrels daily; another 200,000 barrels are provided by other sources. This is all to the good, although still far short of the normal requirements of 1,600,000 barrels daily. To accomplish a feat which before the war was generally regarded as impossible the roads will have to divert more tank cars from service in other sections of the country, they will have to be assured of the necessary supplies to make repairs to tank car equipment, and oil producers may have to resort to more extensive pooling arrangements. Increased receipts, stricter rationing will be needed to permit supplies to be built up in anticipation of the winter season.

Owens-Illinois Glass

If war at any time may be said to be a "blessing in disguise," it would probably apply to Owens-Illinois Glass. The company's business, particularly in the container division, will be appreciably stimulated by the shortage of metals and the resulting necessity of many packagers to convert to glass bottles and similar containers. The company's raw materials are adequate and with increased volume profit margins should widen to some extent. Earnings have already reflected these conditions. For the twelve months to March 31, last, net was equal to \$3.57 a share, compared with \$2.74 a share in the same period of 1941.

CORPORATE EARNINGS, FIRST QUARTERS 1940-1942

Thousands of Dollars

	Number of Com- panies	Net Income After Taxes			Percentage 1941 to 1942	Change 1940 to 1942
		1942	1941	1940		
Industrials.....	415	346,262	443,849	387,470	-22	-11
Manufacturing.....	337	309,627	404,075	353,550	-23	-12
Durable goods.....	202	180,771	264,517	208,275	-32	-13
Nondurable goods.....	135	128,856	139,558	145,275	-8	-11
Mining.....	35	25,297	28,797	23,330	-12	+8
Coal.....	10	2,822	2,938	1,609	-4	+75
Metal.....	25	22,475	25,859	21,721	-13	+3
Retail trade.....	17	6,727	5,078	5,919	+32	+14
Miscellaneous.....	26	4,611	5,399	4,671	-22	-1
Public Utilities.....	41	112,908	126,318	130,538	-11	-14
Electricity and gas.....	31	49,138	60,519	66,376	-19	-26
Telephone and telegraph.....	10	63,770	65,799	64,162	-3	-1
Railroads.....	59	87,616	57,631	410,996	+52	....
Grand total.....	515	546,786	627,798	507,012	-13	+8

d—Deficit.

Courtesy National Industrial Conference Board.

In the 1941 calendar year net was equal to \$3.40 a share. Dividends last year totaled \$2.50 a share. Taxes this year may force some reduction from this figure, but payments should total at least \$2. The company, according to the taxes proposed by the House Ways and Means Committee, would appear to have a credit, after normal and surtaxes, equal to about \$2.25 a share.

Aircraft Reports

Leading aircraft manufacturers with War Department contracts will issue no more quarterly reports. The Air Corps has officially requested that such reports be withheld, although it is reported that three of the largest manufacturers made the suggestion, feeling that not only do such statements reveal information valuable to the enemy, but may be misleading to stockholders also. It is not believed that other manufacturers of munitions and armaments will be included in the ban.

No Power Shortage

Charles E. Wilson, president of General Electric, is authority for the statement that there is little likelihood of a power shortage. Potential power generating capacity has already been increased 10 per cent which, according to Mr. Wilson, together with new interconnecting links will more than meet the country's power needs. He also

stated that General Electric has orders on hand for generating equipment aggregating 19 million horsepower. Some, or perhaps a good part of, these orders are for marine power, but some indication of their size is gained by the fact that at last reports the total generating capacity of the country was about 56 million horsepower.

So They Say—

Sales of leading mail order companies are beginning to reflect restrictions on sales of civilian goods. Sears Roebuck reported a decline of 19.4% in May, Montgomery Ward 16%. . . . Recent decline in freight carloadings in a large measure reflects fuller utilization of existing equipment. . . . Substitutes will be used on an increasingly larger scale in manufacture of civilian shoes. . . . Fountain pens and automatic pencils used up 2,800 tons of steel last year, enough for 430,000 shells for 75mm. field guns. . . . A serious shortage of automobile and truck repair parts looms. . . . Chrysler will start construction shortly on what is believed to be the world's largest war plant. . . . BUY WAR BONDS AND SET THE RISING SUN. . . . The wool from 26 sheep is required to clothe a soldier for one year. . . . Destined for rationing: Coffee, shoes, woolen suits and coats, possibly blankets, some canned vegetables, canned fish, pork, lard, cooking oils, bicycles.

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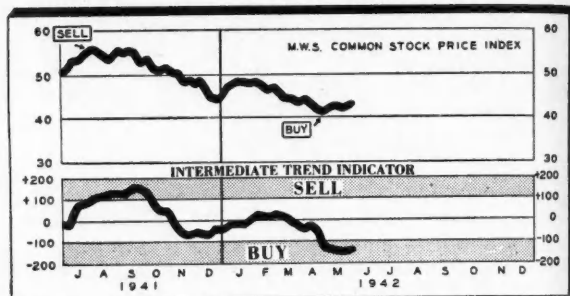
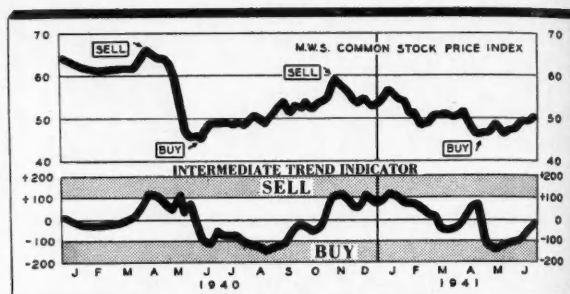
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War Market Record of This New Trend Indicator

47 points gain on the long side of the market alone . . . while Dow-Jones Industrials declined 58 points . . . a differential of 105 points.

	M.W.S. Dow-Jones	Index	Ind.
SELL April 6, 1940 . . .	67.1	151.10	
BUY June 10, 1940 . . .	45.3	111.84	
SELL Nov. 7, 1940 . . .	59.8	137.70	
BUY April 23, 1941 . . .	46.8	116.40	
SELL August 1, 1941 . . .	56.7	128.20	
BUY April 23, 1942 . . .	41.4	95.00	

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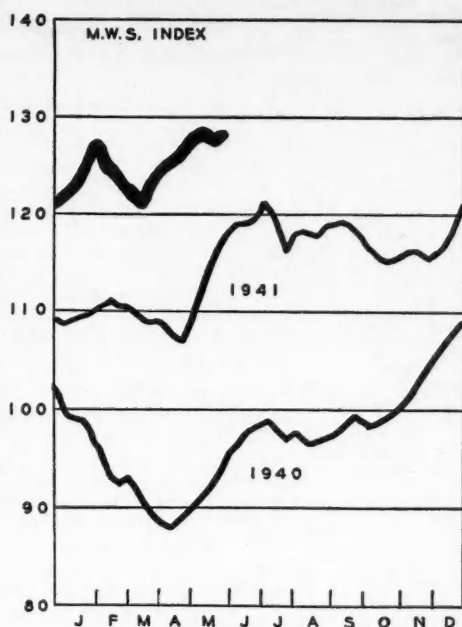
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BUSINESS ACTIVITY



CONCLUSIONS

INDUSTRY—Hopes for a shorter war than originally expected stir speculation as to post-war business prospects.

TRADE—Department store sales 18% below last year on unit quantity basis. Exports zoom; imports sag.

COMMODITIES—List of rationed commodities will be increased materially before year-end.

MONEY AND CREDIT—Popular subscription to war bonds is going well, but quotas may be increased.

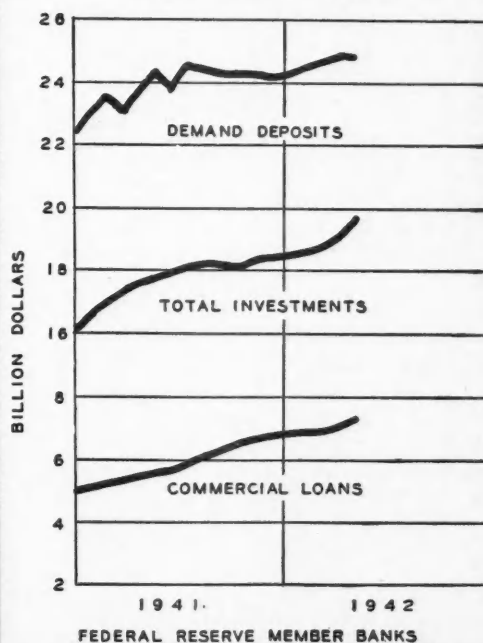
The Business Analyst

Somewhat less than normal seasonal gains in bituminous coal production, carloadings, lumber shipments and paperboard production were responsible for further recession of nearly a point in this publication's index of per capita **business activity** since our last issue. Average for May was approximately 127.5, compared with 126.6 in April and 115.4 during May of 1941. Without compensation for population growth, the index rose a point during May to 151% of the 1923-5 average, or 11.8% above May of last year. There are some indications that shortages of material, transportation facilities, skilled labor and managerial ability are slowing the scheduled program for expansion of armament production.

* * *

War expenditures during May reached \$3.5 billion, about 30% of the estimated national income for that month, and raising the total outlay since mid-1940 to \$30 billion. **Income payments** during April rose to \$8.78 billion—23% above last year, measured in dollars; but equivalent to an increase of only 10% in physical volume after allowing for an advance of 11.8% in the price level. **Farm income** during April, exclusive of benefit payments, amounted to \$973 million, or 46% above last year, with prices of farm products averaging (Please turn to following page)

BUSINESS CREDIT



FEDERAL RESERVE MEMBER BANKS

Business and Industry

	Date	Latest Month	Previous Month	Last Year	PRESENT POSITION AND OUTLOOK
INDUSTRIAL PRODUCTION (a)	Apr.	174	172	144	Continued from page 249
INDEX OF PRODUCTION AND TRADE (b)	Apr.	110	110	106	
Production	Apr.	120	120	109	<p>parity. The Department of Agriculture thinks that the purchasing power of farm income may increase somewhat this year; since price stabilizing measures should "affect prices paid by farmers more than the prices received for products sold." Dividends declared during April were 0.6% less liberal than for the like month of 1941, against a 3% increase for four months. Civil non-agricultural employment reached 40.77 million in April, a gain of 381,000 over March and an increase of 2,545,000 over April of last year.</p> <p style="text-align: center;">* * *</p> <p>Recently rising hopes for an early defeat of our Axis foes, though probably premature, have revived enough interest in post-war business prospects to warrant noting that much will depend upon terms of the armistice and the degree of control over private business retained by national governments. Present consensus of informed opinion points to the maintenance of a much larger military establishment and greater bureaucratic direction of civilian economic activities than after World War I, and consequently a less abrupt transition from a war time to peace time status. With these qualifications, the post-war outlook may be regarded as bright for civilian durable goods, airlines, trucks, buses, tires, gasoline, finance companies, and road building material, after a short period of readjustment; but none too promising for the railroads, shipping and shipbuilding, machine tools, and realty in present war-inflated areas. Demand for farm products should continue brisk.</p> <p style="text-align: center;">* * *</p> <p>In the tug of war between falling production of consumer goods and expanding family incomes it is only natural that efforts to stabilize prices should encounter obstacles. Quite apart from the basic task of mopping up excess purchasing power of war workers are the many vexing problems arising from evasion of price ceiling and rationing regulations. Quality of merchandise is lowered; low-priced lines are discontinued; or products may be "upgraded" by introducing a new line barely superior in quality, but bearing a higher price tag. Conscience permitting, you can buy all the gas you want from friendly service stations which forget to tear out your stamp. "Black markets" will spring up later.</p> <p style="text-align: center;">* * *</p> <p>Wholesales sales during April were 23% above last year, compared with a four months' increase of 31%. Department store sales in the week ended May 23 were 2% below last year in dollar amount, which means a drop of 18% in unit quantity owing to a 19% advance in retail prices. W P B may soon direct the attention of large wholesalers and retailers to Priorities Regulation No. 1, which prohibits any manufacturer or distributor from accumulating more than minimum inventories. Merchandise exports in April, including lease-lend, totaled \$675 million, a jump of 78.5% over last year, compared with a four months' rise of 66%. Imports, at \$209 million, were 22.6% below last year.</p>
Durable Goods	Apr.	130	129	114	
Non-Durable Goods	Apr.	112	112	105	
Primary Distribution	Apr.	107	104	98	
Distribution to Consumers	Apr.	89	93	105	
Miscellaneous Services	Apr.	113	114	101	
WHOLESALE PRICES (h)	Apr.	98.8	97.6	83.2	
COST OF LIVING (d)					
All Items	Apr.	97.1	96.1	86.9	
Food	Apr.	98.8	97.5	81.0	
Housing	Apr.	91.0	90.7	87.8	
Clothing	Apr.	88.4	85.8	73.3	
Fuel and Light	Apr.	90.1	90.4	86.4	
Sundries	Apr.	104.1	103.5	98.3	
Purchasing Value of Dollar	Apr.	103.0	104.1	115.1	
NATIONAL INCOME (cm)†	Apr.	8,784	8,693	7,147	
CASH FARM INCOME†					
Farm Marketing	Mar.	891	810	610	
Including Gov't Payments	Mar.	1,097	1,235	754	
Prices Received by Farmers (ee)	Apr.	150	146	110	
Prices Paid by Farmers (ee)	Apr.	151	150	124	
Ratio: Prices Received to Prices Paid (ee)	Apr.	99	97	85	
FACTORY EMPLOYMENT (f)					
Durable Goods	Apr.	147.7	146.9	126.3	
Non-durable Goods	Apr.	123.0	123.1	118.0	
FACTORY PAYROLLS (f)	Apr.	186.4	182.9	134.7	
RETAIL TRADE					
Retail Store Sales \$†	Apr.	4,465	4,340	4,626	
Durable Goods (a)	Apr.	103.5	108.4	166.2	
Non-durable Goods (a)	Apr.	147.7	148.9	127.7	
Chain Store Sales (g)	Mar.	169	165	128	
Retail Prices (s) as of	Apr.	113.4	112.5	95.5	
FOREIGN TRADE					
Merchandise Exports†	Apr.	\$682	\$609	\$385	
Cumulative year's total† to	Apr.	2,249	.....	1,370	
Merchandise Imports†	Mar.	252	239	255	
Cumulative year's total† to	Mar.	747	.....	695	
RAILROAD EARNINGS					
Total Operating Revenues*	Apr.	\$540,280	\$572,515	\$375,008	
Total Operating Expenditures*	Apr.	360,151	366,781	274,938	
Taxes*	Apr.	74,532	88,895	37,040	
Net Rwy. Operating Income*	Apr.	92,355	101,995	52,074	
Operating Ratio %	Apr.	66.66	64.06	73.32	
STEEL					
Ingot Production in tons*	Apr.	7,122	7,393	6,754	
Pig Iron Production in tons*	Mar.	5,113	4,458	4,704	
Shipments, U. S. Steel in tons*	Apr.	1,759	1,781	1,688	
GENERAL					
Paperboard, new orders (st)	Mar.	542,432	508,272	543,988	
Machine Tool Output (millions of \$)	Mar.	109	93	57	
Railway Equipment Orders (Ry)					
Locomotives	Feb.	169	25	127	
Freight Cars	Feb.	11,085	8,479	5,645	
Passenger Cars	Feb.	.....	.....	45	
Cigarette Production†	Apr.	17,380	17,016	15,854	
Bituminous Coal Production* (tons)	Apr.	49,000	47,400	5,975	
Portland Cement Shipments* (bbls.)	Apr.	14,774	12,562	14,132	
Commercial Failures (c)	Apr.	938	1,048	1,149	

WEEKLY INDICATORS

	Date	Latest Week	Previous Week	Year Ago	PRESENT POSITION AND OUTLOOK
M. W. S. INDEX OF BUSINESS ACTIVITY 1923-25-100	May 30	127.3	127.0	118.9	<p>Railroad net income in April, the first full month of operation under higher freight rates, amounted to \$57.9 million, compared with only \$7.3 million in the like period of 1941. Net income for four months was \$149 million, against \$76.3 million last year. Railway unions will soon demand further wage increases, especially from Class II and Class III roads. California Railroad Commission wants federal legislation to recapture excess earnings of prosperous roads for benefit of the weaker lines. White House's Resources Board reported to favor government ownership of railroads. Pooling of railroad equipment is now under consideration.</p> <p style="text-align: center;">* * *</p> <p>Treasury favors a boost in tobacco taxes to yield \$1 billion annually, against present take of \$775 million: thinks this would not halt steady uptrend in consumption. Cigarette makers' sales would have to rise 25% this year, owing to heavier costs, to keep 1942 earnings before taxes abreast with 1941. First quarter sales were up only 15%.</p> <p style="text-align: center;">* * *</p> <p>Automotive industry now more than two-thirds converted to war work. President is reported to favor nation-wide rationing of gasoline to conserve rubber. This would cut profits of the oil industry. Paperboard new orders and production fall below last year.</p>
ELECTRIC POWER OUTPUT K. W. H.†	May 30	3,323	3,380	2,955	
TRANSPORTATION					
Carloadings, total	May 30	795,756	837,748	801,783	
Grain	May 30	32,897	34,412	36,143	
Coal	May 30	157,852	165,983	144,507	
Forest Products	May 30	45,689	48,410	39,196	
Manufacturing & Miscellaneous	May 30	363,810	378,339	339,774	
L. C. L. Mdse.	May 30	87,000	96,365	143,327	
STEEL PRICES					
Pig Iron \$ per ton (m)	May 29	23.61	23.61	23.61	
Scrap \$ per ton (m)	May 29	19.17	19.17	19.17	
Finished c per lb. (m)	May 29	2.305	2.305	2.305	
STEEL OPERATIONS					
% of Capacity week ended (m)	June 2	98.0	97.0	99.5	
PETROLEUM					
Average Daily Production bbls.★	May 30	3,877	3,599	3,786	
Crude Runs to Stills Ave. bbls.★	May 30	3,522	3,393	3,759	
Total Gasoline Stocks bbls.★	May 30	95,355	97,034	93,156	
Fuel Oil Stocks bbls.★	May 30	79,628	79,442	91,370	
Crude—Mid-Cont. \$ per bbl	June 5	1.17	1.17	1.07	
Crude—Pennsylvania \$ per bbl	June 5	2.25	2.25	1.88	
Gasoline—Refinery \$ per gal.	June 5	.092	.092	.07¼	

†Millions. ★—Thousands. (a)—Index Federal Reserve 1935-39—100. (b)—Federal Reserve Bank of N. Y. 100%—estimated long term trend. (c)—Dun & Bradstreet. (cm)—Dept. of Commerce estimates of income paid out. (d)—Nat. Ind. Conf. Bd. 1923-100. (e)—Dept. of Agric. 1924-29—100. (ee)—Dept. of Agric. 1909-14—100. (f)—1923-25—100. (h)—U. S. B. L. S. 1926—100. (j)—Adjusted—1929-31—100. (m)—Iron Age. (n)—1926—100. (n. i. c. b.)—Nat. Ind. Conf. Bd. 1935-39—100. (p)—Polk estimates. (pc)—Per Cent of capacity. (pl)—Preliminary. (r)—Railway Age. (s)—Fairchild Index, Dec. 1930—100. (st)—Short tons.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEX

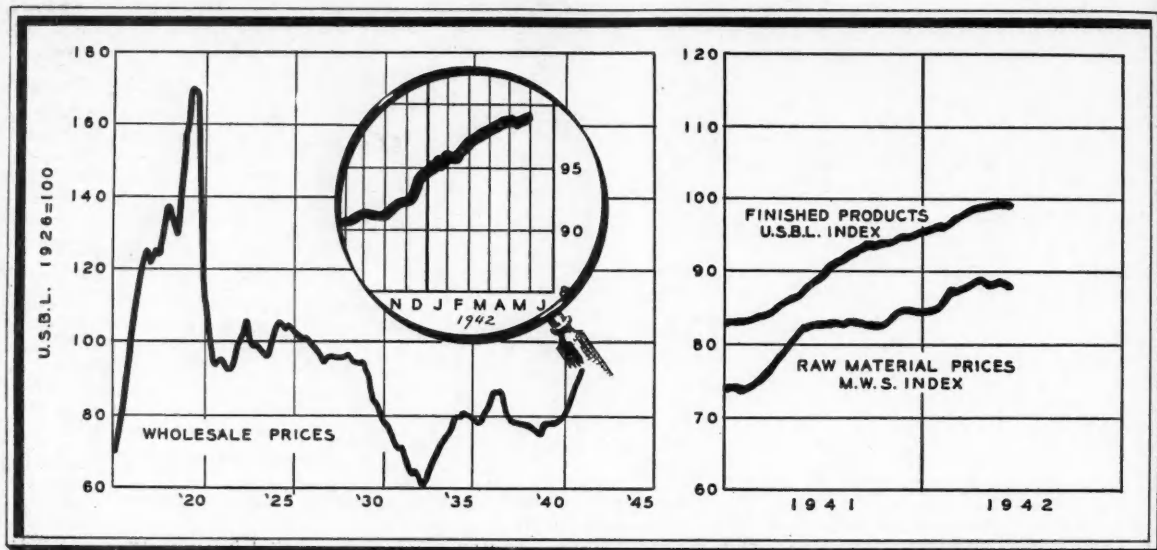
No. of Issues (1925 Close—100)	1942 Indexes					1942 Indexes			
	High	Low	May 30	June 6		High	Low	May 30	June 6
270 COMBINED AVERAGE	48.6	41.4	42.9	44.4	(Nov. 14, 1936, Cl.—100)...	51.96	43.20	45.50	46.81
					100 HIGH PRICED STOCKS...	38.78	31.66	33.04	34.09
3 Agricultural Implements...	84.7	72.7	83.7	84.7A	3 Liquor (1932 Cl.—100)...	159.9	137.5	150.7	153.0
9 Aircraft (1927 Cl.—100)...	172.6	123.8	127.5	131.5	8 Machinery...	83.8	67.9	70.9	73.6
4 Air Lines (1934 Cl.—100)...	245.0	178.4	226.0	235.2	2 Mail Order...	55.3	45.2	53.3	55.3A
5 Amusements...	32.0	27.0	30.6	32.0C	4 Meat Packing...	46.0	30.6	30.6k	31.5
13 Automobile Accessories...	79.3	70.4	71.6	72.8	9 Metals, non-Ferrous...	131.7	101.0	101.9	102.8
13 Automobiles...	9.7	7.1	8.5	8.7	3 Paper...	11.3	9.3	9.3c	9.4
3 Baking (1926 Cl.—100)...	6.1	5.0	5.3	5.3	21 Petroleum...	74.6	59.8	61.4	63.0
3 Business Machines...	100.2	81.7	95.2	100.2A	16 Public Utilities...	19.1	13.8	14.6	15.6
2 Bus Lines (1926 Cl.—100)...	64.6	38.2	53.0	53.2	3 Radio (1927 Cl.—100)...	7.7	5.9	7.3	7.7A
6 Chemicals...	156.3	126.3	130.6	134.5	7 Railroad Equipment...	37.9	28.9	29.1	29.5
14 Construction...	19.6	16.4	17.6	17.9	16 Railroads...	9.9	7.6	7.9	7.6
5 Containers...	163.1	138.4	154.5	163.1A	2 Realty...	1.9	1.3	1.6	1.5
8 Copper & Brass...	75.1	58.6	58.6g	61.2	2 Shipbuilding...	112.0	85.5	85.5b	87.1
2 Dairy Products...	27.8	25.5	26.5	27.0	12 Steel & Iron...	65.0	53.1	53.3	54.8
6 Department Stores...	16.3	12.4	13.4	14.0	2 Sugar...	40.1	27.7	28.3	31.3
6 Drugs & Toilet Articles...	43.5	37.1	38.5	40.9	2 Sulphur...	179.4	137.5	151.2	155.5
2 Finance Companies...	132.4	99.5	125.9	132.4A	3 Telephone & Telegraph...	41.1	30.6	39.1	41.1A
7 Food Brands...	78.6	60.6	64.9	67.3	2 Textiles...	34.2	24.4	27.7	28.9
2 Food Stores...	43.7	32.2	36.3	38.5	3 Tires & Rubber...	11.5	7.9	11.1	11.5A
4 Furniture...	28.2	23.7	27.0	28.2A	4 Tobacco...	55.3	40.7	48.5	50.2
2 Gold Mining...	455.9	315.4	394.6	455.9A	2 Variety Stores...	187.2	147.7	164.8	171.1
6 Investment Trusts...	16.5	13.8	15.2	15.4	19 Unclassified (1941 Cl.—100)	109.9	90.8	95.2	98.4

New HIGHS since: A—1941; C—1939. New LOWS since: b—1940; c—1939; g—1935; k—1933.

Trend of Commodities

The past fortnight brought a reversal in the relationship between the trend of commodity prices and stock prices. Whereas previously prices of "free" commodities were rising and stock prices declining, the opposite was true, particularly last week. July cotton closed last week at 18.41 cents, wheat at \$1.17 $\frac{1}{8}$, and corn at 85 $\frac{7}{8}$ cent, all more or else substantially below their recent levels. Several factors may be held accountable for lower commodity prices. First, the belief persists that the duration of the war may be less than previously forecast. Second, growing conditions continue exceptionally favorable. Third, special interest

groups such as the farm bloc are losing face. Meanwhile, indications are that there will be a further tightening up of restrictions all along the home war front, and an increasingly number of commodities will be rationed to civilians before the end of the year. An extensive survey of military and civilian food requirements will be undertaken by the new W P B committee under Secretary of Agriculture Wickard. For the present supplies are believed ample for all needs, but W P B is doubtless anxious to know the exact situation before the country is confronted with a sudden crisis as in the case of rubber.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices—August, 1929, equal 100

	May 29	June 5		May 29	June 5
28 Basic Commodities.....	166.7	165.9	Domestic Agricultural	184.6	182.3
Import Commodities	161.4	161.3	Foodstuffs	186.7	185.5
Domestic Commodities	170.3	169.0	Raw Industrial	153.0	152.4

Commodity Briefs

Cotton. Cotton suffered the widest break last week since mid-October 1941. In a single session prices declined the maximum of \$3.25 a bale. Buyers and traders alike remained on the sidelines, unwilling to act in the face of war news, favorable crop news, and legislative uncertainties.

Grains. Grain prices shared in the general liquidating movement. Weakness was particularly noticeable in the rye and soy bean sections and in both instances favorable crop news was the principal factor contributing to the decline.

Hides. Plans for allocating supplies of domestic hides are still under consideration. Lack of shipping space promises little aid from foreign sources. It is probable, however, that there will be no serious civilian shortage of shoes until next year.

Meat. In the first five months of this year receipts by

stockmen from the sale of cattle, calves, hogs, sheep and lambs totalled nearly \$1.3 billion, the highest figure in more than 20 years.

Metals. Most of the recent news concerning vital metals emphasized the growing shortages. The steel industry will spend \$2,000,000 in an advertising campaign for collection of scrap material. In the case of other metals, every effort is being put forth to keep war industries supplied by the combination of increased production and more rigid restrictions of non-war uses.

Rubber. A survey by U. S. Rubber estimates that an intensive campaign might recover as much as 500,000 long tons of scrap rubber. Normally scrap not collected and reclaimed in a year is discarded. Now, however, situation is entirely different and extreme methods are under consideration to bring to light rubber scrapped in previous years.

Answers to Inquiries

(Continued from page 245)

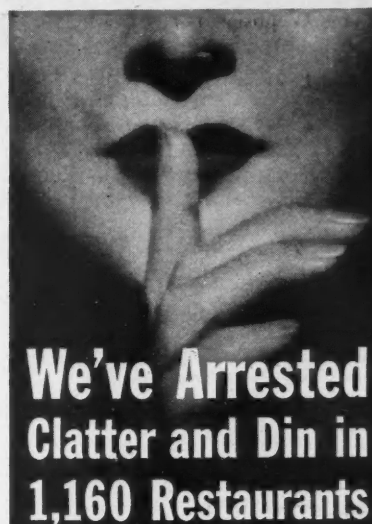
management of a munitions plant to be built by the Government. A subsidiary corporation was formed which will enter into a contract with the Government for that purpose. As a further step in diversifying its operations in the food field, Quaker Oats recently acquired the business of Chappel Bros., Inc., manufacturers of Ken-L-Ration and several dog food specialties. Under normal conditions, about 10 per cent of sales are in Canada, 14 per cent in Europe and 3 per cent in other foreign countries. Investment in Canadian plants, which supply a large part of foreign sales, was about 10 per cent of net assets at the close of 1941; other foreign investments were small. Domestic sales will continue to reflect increased consumer incomes, while export business may rise moderately as result of the lend-lease program. With competition alleviated by demand, price adjustments probably have been made to reflect cost increases and profit margins will probably equal those of last year. Quaker Oats Co. plants are located in New York, Ohio, Michigan, Iowa, Texas and Missouri, in this country; in Ontario and Saskatchewan, Canada, and in Mexico, England, Holland, Denmark, and Germany. Supplementary and by-product operations are carried on in Tennessee and Illinois and the company owns grain elevators in various states and in Canada. Although the company is favorably situated with respect to excess profits taxes, the indicated rise in normal taxes will probably more than offset the operating gains. Thus, earnings for 1942 may be smaller than the \$4.28 a common share last year. Because of the strong financial position, however, maintenance of the \$4 dividend is possible even if not fully earned. In the absence of funded debt only 180,000 shares of non-redeemable \$6 cumulative preferred stock outranks the 702,000 common shares. Working capital has been consistently large; the decline in 1941 reflected property outlays. Cash items at the year end were nearly double current liabilities. The possibility that

earnings for the current year will not cover the \$4 dividend detracts from the speculative appeal of the common stock, but from a longer range viewpoint the stock merits retention for income.

Purity Bakeries Corp.

I would like to know what I can expect from my Purity Bakeries shares in the period ahead. Will its recent progress be extended, even in the face of the "worst" in taxes? What has been the effect of the sugar shortage? Is it felt that the new price ceiling will influence earnings unfavorably? In view of the rather liberal yield, would you advise additional purchase for appreciation at current prices? I now hold 125 shares bought at around 13½.—W.M., Rochester, N. Y.

For the sixteen weeks ended April 18th, last, earnings of Purity Bakeries Corp. were comfortably ahead of the figure for the corresponding period a year earlier. A marked increase in volume business is largely responsible for the better showing. This resulted both from the high level of consumer buying power and from a decline in home baking due to the shortage of sugar. Purity, in common with other bakers, has been able to revive some of its formulas to use less sugar, or to make use of sugar substitutes, and thus has maintained sales at good levels. Purity Bakeries Corp. is one of the industry's "big four" distributors of breads and pastries, the company owns full control of fifteen Eastern and Mid-Western baking concerns, and a 99% interest in Cushman's Sons, Inc., of New York. Bread is marketed under the trade-mark "Taystee, Purity & Sweetheart." Grennan, Purity, and many other labels are used for cake. Flour, shortening, sugar and cocoa are the major raw materials; advanced commitments in these commodities, particularly flour, occasionally are undertaken. Labor costs, largely for distribution, are relatively heavy. In the coming months, bread sales will exhibit the usual stability and changes in production formulas and the use of substitutes for sugar should aid in maintaining sales of the important cake and pastry divisions. Profit margins on bread production should exceed the poor 1941 average. Higher taxes will more than cancel any operating gains, but earnings are unlikely to be materially below the \$1.85 a share of 1941. A strong



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ROLAND EATON,
Managing Director

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financial position has been maintained consistently by the company. Dividends should equal payments of last year. Therefore, in view of the liberal yield and improved earnings of the important cake division, the rather speculative shares have appreciation possibilities at current low prices.

International Harvester

Do the present prices for International Harvester common stock allow for the prospect of a reduction of earnings this year? I own 125 shares bought at 50 last year. Would you advise averaging at current market prices? Will you please explain fully the company's trend to "self-contained production" in North America? I understand this is putting the firm in a desirable and sound position; but what is the status of its foreign investments?—Mrs. A. L. B., Chicago, Ill.

International Harvester is a leading manufacturer of agricultural machinery and equipment, the foremost producer of farm tractors, and a major factor in the motor truck fields. Total sales for the six months ended April 30, 1942, first half of the company's fiscal year, were 19% higher than those of the first six months of the 1941 period. Included in this increase were all the company's products—farm machinery, tractors, trucks, steel products and armament materials. Because of production restrictions, however, the company believes that its sales of regular products during the remainder of the fiscal year will be substantially lower than the same period a year ago. This decline may be offset largely by increased deliveries of armament products as major war jobs come into production. International Harvester has practically sidetracked a property investment of 35 to 40 millions of dollars in foreign countries. These investments presumably will lie dormant to a very large extent for the duration, but they should again become profitable in the post-war era. Meanwhile, the company can get along nicely on its expanded domestic operations. International Harvester Co. recently purchased a tract of land at Memphis, Tenn., for possible post-war manufacture of the types of machinery used extensively in the Mid-South and Southwest, and which could be economically manufactured and distributed from points such as Memphis. Few corporations possess the outstanding finan-

cial strength of this enterprise. Conservative dividends have permitted the expansion of plants, while, at the same time, cash and working capital has held up at high levels. Higher tax rates will cause a narrowing of all profit margins and therefore earnings for the current fiscal year are likely to decline moderately from the \$5.80 a common share reported for the year ending October 31, 1941. The 50-cent quarterly dividend rate is expected to be maintained. Present prices for the common stock allow for the prospect of some reduction in earnings this year, and the shares have a measure of attraction. For a full discussion of the farm equipment issue, we refer you to page 227 of this issue.

Electric Storage Battery

I am pleased with Electric Storage Battery's consistency in being able to maintain the 50c quarterly dividend rate even after allowance for substantially higher taxes, but have yet to see any reflection of this in its market values. Is this an indication that the dividend for the year may fall below the \$2.50 paid in 1941? What proportion of the company's production is now for war purposes? Is this likely to be increased, to the almost complete exclusion of civilian-used products? Would appreciate your advice on 75 shares acquired at 33.—T. C., Boston, Mass.

Electric Storage Battery is a leading manufacturer of storage batteries, marketing its products under the trade-names Exide and Willard. In normal times, about 55% of sales are for automotive uses, with the more stable replacement market accounting for the larger share. The balance is sold to railroads, utilities, and a wide list of other users, including the Army and Navy. Under the defense program, battery sales for aircraft, naval vessels and military vehicles are rising rapidly. Orders received and shipments for the first quarter of 1942 compare favorably with 1941. Backlog of unfilled orders as of April 1st, of this year, is substantially above that of April 1st, 1941, and this very definitely reflects the company's participation in the war program of our country. Electric Storage Battery is equipped to supply batteries to all branches of the Government's armed services. While the conversion of the automobile industry to war production and the tire situation are reducing the demand for

batteries, the products being turned out by the automobile manufacturers are, for the most part, mechanized units requiring storage batteries. Tanks, jeeps, light and heavy trucks, airplanes and so forth are battery-equipped. As to the battery replacement field, the economy of the nation is so closely interwoven with transportation by automobile that cars now on the road will be kept in operation as long as possible. The principal domestic plants are in Cleveland, Los Angeles, Dallas, Philadelphia and Minneapolis. Foreign affiliates operate in Canada, Australia and England. In reflection of its substantial and relatively stable earnings power, the company has maintained a strong financial status for many years. The preferred stock formerly outstanding was eliminated by mid-1941 through conversion into common. A high level of operating income is in prospect, and the rise in tax rates is the principal adverse factor in the outlook. Electric Storage Battery, after making what was thought adequate provision for higher taxes, earned a first quarter dividend of 50 cents which was paid in March, which marked the continuous and unbroken record of quarterly payments for over forty-one years. Earnings for 1941 were \$3.65 a share, and no great decline is in prospect for 1942. Dividends should continue generous in relation to earnings. The common stock has the appeal of a relatively generous yield and a well-protected dividend. Given an improvement in general market conditions, the stock should give a good account of itself, and retention here is accordingly advised.

Potential Leaders of Recovery

(Continued from page 223)

made a low of 10¼ in the 1940 decline which has not since been closely approached. Showing wide divergence from the industrial average, low in 1941 was 13¾ and lowest this year to date has been 17. The 1940-1941-1942 tops to date have centered in the narrow range 22¾-24, with the stock recently showing some tendency to edge through this upper resistance level.

Chart pattern suggests that, with a stronger general market, this stock could advance substantially. Volume will be good for the duration, and current price is low in relation to apparent excess profits tax credit of more than \$4 per share.

Priced currently at 20¾, low for this year, Mueller Brass apparently has an excess profits tax credit of about \$2.85 per share and hence, with record volume, should earn a minimum of around \$3 and probably more, since share capitalization is quite small and there are no prior issues. It could be called a war stock perhaps to the extent of about half of last year's net of \$6.66 per share. That is, it earned a bit over \$3 in 1936 and 1937, \$2.60 in 1939 and \$1 even in the depression year 1938. Chart shows a rising bottom resistance line since the spring of 1938, although not as good a picture on the highs.

The remaining issue charted is Underwood-Elliott-Fisher. Last low was made at 21½ on the market's nose-dive in the spring of 1940. Rising resistance levels subsequently have reflected market adjustment to the realities of the company's conversion to war-time operations. The basic position is similar to that of the better automotive enterprises: assured volume during the war and presumptive favorable potentiality in peace. Excess profits tax credit figures roughly \$2.80 per share. Peace-time earnings record is impressive, ranging over the six years 1935-1940 between low of \$2.41 and high of \$6.70; and averaging slightly over \$4.

Five Stocks Cheap Under Highest Taxes

(Continued from page 241)

National Distillers Products

Earnings of National Distillers Products Corp. have been featured by a high degree of stability for some time past and despite the materially higher taxes in force last year, the company was able to show earnings equal to \$3.47 a share, as compared with \$3.28 a share in 1940 and \$3.43 for 1939. In the first quarter of the current year the company reported earnings on its stock of 52 cents a share, against 39 cents in the like period of 1941. This show-



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ing was made despite the fact that the provision for Federal income taxes was substantially increased to a total of \$994,951, against \$272,931 in the like 1941 quarter. Because of the fact that the company has enjoyed a high average rate of earnings during the base years 1936-1939, its vulnerability to excess profits taxes is correspondingly reduced. As in the case with the other issues discussed here, we can get a fair idea of what taxes likely will do to future earnings by applying the proposed new rates to the earnings for last year. In taking the average earnings for the base years, we find that the company has a tax credit base of approximately \$8,860,000. Applying the 40 per cent tax, a balance would have remained for the common stock of around \$2.20 a share. Actually the company last year earned in excess of its tax credit base to the extent that an additional 60 cents a share would have accrued to stockholders after applying the indicated 94 per cent excess profits rate. That brings total earnings under the proposed new tax rates to roughly \$2.80 a share. Unlike the situation which confronted the distillers at the start of the last war, they are now not threatened with Prohibition as they were then and the importance of industrial alcohol to the war effort suggests full use of distillery facilities over the period ahead. The company recently augmented working capital through sale of \$15,000,000 in seven-year 3¼% debenture bonds and finances now appear adequate. Large stocks of whiskeys have been built up and it is expected that these will prove sufficient to meet consumer demands despite the war-time restrictions on beverage production now in force. National has been paying dividends of \$2.00 a share annually and we anticipate that this rate will be continued, since indications are that even after war taxes the company should have a balance above dividend requirements.

The Sweeping Implications of Shift in U. S. War Production Policy

(Continued from page 218)

The Treasury disbursement for the war effort was, roughly, 3 bil-

lions in March, increased to 3.4 billions in April, advanced to about 3.85 billions in May and is expected to reach 5 billions by next September. The latter will represent annual rate of 60 billions or well over half estimated national income for 1942.

It is these figures—and increasing shortage of materials, transport, fuel and labor—which led OPA chief Henderson to say that, although the Reserve Board index of production may rise another 25 points to an astounding level of 200 when peak war output is reached (probably next winter), "we shall have probably gotten down to an unbelievable level of consumer goods production."

That statement is true but needs qualification. Output of consumer goods is already declining rapidly—but without proportionate effect upon your living standards. The reason is that large inventories out of past production are still on hand. As we are now in an interlude, possibly of several months' duration, of reduced consumer demand (following previous waves of heavy buying), the squeeze in consumer goods supply can hardly reach formidable proportions before autumn or winter. Hence, however tight the situation in the raw materials of war, any broad expansion of consumer rationing is many months away.

It should be emphasized that all longer range conjecture on this whole subject of future war controls—including tax policy—must be approached with considerable reserve. Nothing is more subject to unpredictable change than the fortunes of war—and the fortunes of war necessarily have a direct bearing on Administration policy and the attitude of Congress. Policy and attitude are steadily getting tougher—but some day (and it *might* be sooner than some guess) a real vision of not too distant victory will be ours. Then the pressure will begin bit by bit to relax.

One of the soundest economists we know has for weeks been advising his business clients not to make commitments founded on the concept of a long war. In other words to make only commitments which would not go sour in case the war ended this year or early in 1943. This is not a war prediction.

The reasoning is that short commitments involve no great risk even if the war should be long, but that long commitments involve very great risk in the event the war should be shorter than expected. The same reasoning seems prudent for investors.

"Business as Usual"— But More of It

(Continued from page 239)

glass containers for food, tobacco and other products normally packed in metal. The use of glass for insulation purposes is constantly increasing and, by far, the glass industry, although not subject to actual war conversion and not short of basic materials, can anticipate more long-lasting benefits from the war period than almost any other single industry. New needs develop new uses, new markets and possibly new profits.

Last year the cement industry smashed all records, not only due to war needs, but also because of gigantic public works programs, both national and state. The bulk of this heavy business was in California and the Pacific Northwest. According to the United States Bureau of Mines the portland cement industry in January, 1942, produced 12,429,000 barrels, shipped 9,120,000 barrels from the mills, and had in stock at the end of the month 23,245,000 barrels. Production and shipments, of portland cement in January, 1942, showed increases of 37.8 and 14.2 per cent, respectively, as compared with January, 1941. Portland cement stocks at mills were 4.8 per cent lower than a year ago. The factory value of the shipments from the mills in 1941—167,508,000 barrels—is estimated as \$247,449,000, representing an average value of \$1.48 per barrel.

Despite rising fuel prices, an important factor in cement manufacturing costs, the outlook for the industry is considered favorable. There are no priorities in cement manufacturing and the only possibility of a decline in the use of cement is a serious curtailment of building because of lack of steel. However, it is pointed out, lack of steel may have an opposite effect,

creating a demand for more all-concrete and stone structures instead of steel and brick. Curtailment of paving and non-military road building, it is expected, will be largely offset by military uses for highways, airport aprons, runways and other military uses such as gun emplacements, bomb proof shelters, etc. Lack of some essential materials is developing new uses for cement, especially in the manufacture of cook stoves.

But if lumber has fallen into the category of affected industries, because of Government orders freezing certain types of lumber for war needs, this condition does not apply to plywoods. Although plywood records were smashed during 1940, this war period can be said to be the "golden age" for this product. The demand for plywood and the uses for plywood today are greater than ever before, and those in the industry frankly admit they can see no end to its possibilities. To enumerate the many new uses for plywood would be to include almost everything in the building category and then some. However, one of the greatest stimulants to the industry has been the need for housing of the rapidly increasing military forces and war workers. As training of America's greatest army continues, more and more housing facilities are required. They are needed now and speed is the most important element. Therefore, plywood has been called in to solve the problem. Within ten days after breaking ground plywood structures can be made ready for the mechanical trades and the saving in lumber and labor is said to be enormous. Much of the plywood used today is manufactured from Douglas fir found in the forests of Oregon and Washington, and, as a consequence, some of the largest plywood mills of the nation are found in the Puget Sound area. The industry, still in its infancy, is devoting much of its energies in filling industrial needs made acute by shortages of other materials. However, engineers deny that some of the substitutions made through the use of plywood will continue to be mere substitutions. Many of them admit that, as new uses for plywood develop, and military requirements taper off, the use of plywood as a substitute material will in-

crease and contractors and architects will actually specify plywood for post-war construction.

Such fibrous building materials as Masonite and plywood, combined with glass and with cement, assure this nation that no matter what the demands of war shall be, there will always be an adequate supply of building materials available. Widespread use of Masonite, plywood, cement, and glass is changing the face of America; changing the habits of Americans and contributing much toward the development of less expensive homes, containers and decorative materials for the post-war era.

When the war ends, even the most bearish industrialist admits, plywood, Masonite, glass and cement, will still be in there "batting" strong and secure in their place as essential industrial and building materials.

If the post-war building boom materializes that most experts predict, and if the substitution of glass and paper containers for metals, such as tin, continues, it is generally agreed that a reversion to tin and older materials is not likely to transpire on any wide scale and the gains made by these "upstarts" will be held, in a large measure at least.

As I See It!

(Continued from page 213)

realization has produced panic, consternation and dissension, and is responsible for the demoralization of Hitler's plans to crush Russia and England this year?

At the Moment

In Europe: German and Russian armies face each other in what seems to be a stalemate, for the severe bombing of German cities and threats of invasion make it impossible for Germany to intensify her operations. Each day of delay increases the definite possibility that the Nazis are not strong enough to take the offensive, that the best they can do is to hold their own on the defensive—and not even then, if the British succeed in acquiring overwhelming air supremacy in the West and quickly follow it up with an invasion of the

DIVIDEND NOTICES

COMMERCIAL INVESTMENT TRUST CORPORATION

Convertible Preference Stock, \$4.25 Series of 1935, Dividend

A quarterly dividend of \$1.06¼ on the Convertible Preference Stock, \$4.25 Series of 1935, of COMMERCIAL INVESTMENT TRUST CORPORATION has been declared payable July 1, 1942, to stockholders of record at the close of business June 10, 1942. The transfer books will not close. Checks will be mailed.

Common Stock, Dividend

A quarterly dividend of 75 cents per share in cash has been declared on the Common Stock of COMMERCIAL INVESTMENT TRUST CORPORATION, payable July 1, 1942, to stockholders of record at the close of business June 10, 1942. The transfer books will not close. Checks will be mailed.

JOHN I. SNYDER, Treasurer

May 26, 1942.



UNION CARBIDE AND CARBON CORPORATION

UCC

A cash dividend of Seventy-five cents (75c) per share on the outstanding capital stock of this Corporation has been declared, payable July 1, 1942, to stockholders of record at the close of business June 5, 1942.

ROBERT W. WHITE, Vice-President

Allied Chemical & Dye Corporation 61 Broadway, New York

May 26, 1942

Allied Chemical & Dye Corporation has declared quarterly dividend No. 85 of One Dollar and Fifty Cents (\$1.50) per share on the Common Stock of the Company, payable June 20, 1942, to common stockholders of record at the close of business June 5, 1942.

W. C. KING, Secretary

Beneficial Industrial Loan Corporation DIVIDEND NOTICE

Dividends have been declared by the Board of Directors, as follows:

PRIOR PREFERENCE STOCK
\$2.50 Dividend Series of 1938
62½c per share

(for quarterly period ending June 30, 1942)

COMMON STOCK
37½c per share

Both dividends are payable June 30, 1942 to stockholders of record at close of business June 15, 1942.

E. A. BAILEY

June 1, 1942

Treasurer

DIVIDEND NOTICES

ALLEGHENY LUDLUM STEEL CORP. Pittsburgh, Penn.

Allegheny Ludlum Steel Corporation has declared a dividend of 35¢ per share on Common Stock of the Corporation, payable June 30, 1942, to Stockholders of record at close of business June 10, 1942.

E. J. HANLEY, Sec'y & Treas.

NATIONAL DAIRY PRODUCTS CORPORATION

A dividend of 20¢ per share on the Common stock has been declared, payable July 1, 1942, to holders of record June 3, 1942.

GEORGE H. RUTHERFORD

May 28, 1942

Treasurer

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a dividend of 50 cents per share on the Company's capital stock, payable June 15, 1942, to stockholders of record at the close of business June 1, 1942.

H. F. J. KNOBLOCH, Treasurer.

continent from the west and from the south. The opportunity to knock Germany out now exists to an amazing degree. The lowered morale of her people makes her particularly vulnerable at this time.

From all reports of German activities on the battle fronts, they seem to be suffering from a great shortage of fuel oil. This may be true also as far as her planes are concerned. It does not seem possible, in view of extensive German capacity, that the number of planes she puts in the air are any indication of the quantity she still possesses despite the fact that her efforts are spread from the Arctic to the Mediterranean. Her difficulties, therefore, must lie in her inability to secure sufficient fuel for the new intensified warfare.

Up to now Germany has had all the advantage in aerial warfare against England, because she could strike from bases right across the English coast—while British planes had to fly over hundreds of miles of fortified territory with the chance of being shot down long before they reached their objectives in Germany. This situation seems to be changing rapidly, due, I believe, to Germany's inability to place and keep thousands of planes in the air to combat the British air offensive. Judging by the small percentage of British plane losses, Germany's anti-aircraft equipment, too, is not up to its previous standard, or else the British have improved their planes and air strategy to a greater degree than Germany has her anti-aircraft equipment.

All these things combine to make

me believe that Germany *can* be knocked out this summer. By that I do not mean that the war will be over—but that a strong offensive may cause Germany to evacuate captive countries in the West and oblige her to concentrate her forces on her own territory, in order to make a stand in defense of her own land—in a fight to the death when eventually surrounded on all sides. That is, of course, if German morale does not crumble before that time and the cry of "Kamerad" is raised in the hope of preventing annihilation of her cities and her people.

In Africa: General Rommel's attack was only a maneuver to feel out the British position and to take Tobruk if the allied troops had been diverted in the belief that the hot weather would bring postponement of the African campaign until next winter. From present reports, it appears that the attempt has already petered out because the British were not caught napping.

In the Far East: Japan has opened her campaign to clear the Pacific and to establish herself in Alaska. Her defeat at Midway was a humiliating setback coming on top of her failure in the Coral Sea. This was another attempt to prevent lease-lend supplies from reaching destination.

Having failed in the south, Japan attempted a two-prong attack through the center at Midway—stepping stone to Hawaii—and in the north at the Aleutian Islands, in the hope of establishing herself in Alaska. She has now ignominiously failed at Midway and the battle raging around Alaska may deal the final blow to Japanese dreams of conquest.

To realize her ambitions Japan must gain mastery of the Pacific. She must also conquer Alaska and the West coast of the United States. So long as the United States is able to supply China and Russia, her position on the mainland of Asia is in jeopardy. Nor can she undertake her campaign against Russia from whose bases, with support from the U. S. A., the Japanese Islands could be bombed to destruction.

With the United States cut off from Pacific supply routes and China out of the war, Japan could

move on India. And she would then be in a position to grip Russia in a pincer from north and south. So that, with the help of Nazi arms in the west, Asiatic Russia would fall into Japan's lap like a ripe apple.

So vast are Japanese ambitions. But like Germany, she has overreached herself and, as events are shaping up, is bound to failure.

The Shadow of Things to Come

(Continued from page 221)

kind they are accustomed to. The list is almost inexhaustible and includes less sweet pineapples, Cuban fruit to replace those from Hawaii; bakery goods with thinner frostings, more bitter chocolate and even the widespread use of South American maté as a substitute for tea.

Even though we are compelled to use many substitutes for civilian use and dig out of garrets and cellars forgotten bicycles, old rugs and other household goods, our war goods are not suffering. They are made of the best materials obtainable and, because necessity is the mother of invention, and if ever necessity existed, it is right now, methods of production, speed of production and types of production have made giant strides. The automobile industry, always a pioneer in new mass production methods, hasn't lost any of its cunning. The Fisher Body division of General Motors demonstrated that when it took them just forty-seven days to complete the first all-welded medium tank ever built for the fighting forces. That forty-seven days means starting from "scratch" with a vengeance. When plans for the new 30-ton tanks of the M-4 Model were received by the company they were so incomplete that Fisher engineers had to draw their own blueprints for the welded hull.

What the automotive industry is accomplishing in the production of tanks and other munitions, the shipbuilding people, in some yards, have been duplicating. One of the outstanding features was the construction by Henry Kaiser, West Coast contractor who built Boulder Dam, of a Liberty cargo ship in 78 days,

90 days less than was traditionally accepted as "perfect" time. Mr. Kaiser told the WPB he is convinced he can cut the 78-day record by possibly one-half if supplied maximum requirements. Indications are that he will get his wish.

This is truly the "great transition era." When history is written; I mean the history of American industry, not the political or military history, although industry will play a dominant role there too; it is safe to assume that many of our industrial developments such as new materials; cheaper and speedier manufacturing; greater durability; longer life and greater labor saving devices will have been sired by this conflict.

To peer into the future. To visualize just what sort of a technological world we will be living in when war is ended isn't half as difficult as one would imagine. All prognostications are based upon past performances. History has a strange habit of repeating itself at frequent intervals; the character and ingenuity of the American people is steadfast and easily predictable, consequently it can be said without fear of error that, despite the economic revolution we are passing through; despite changes born of war; despite the "let down" the revolution will be evolution as far as our industrial life is concerned.

New inventions, new materials, new uses of old materials mean new markets, new business and new ways of life for millions of people. The last war, as you will recall, gave birth to many new inventions and saw the inception of commercial aviation; but, because of the nature of the war and the fact that avenues of commerce were still more or less open to the Allied nations and no serious or acute shortage occurred in basic raw materials, plus the fact the war was largely a struggle of manpower instead of a mechanized conflict as it is today, the necessity for substitute materials in the Allied nations, at least, was not so great and consequently new developments weren't established on the same scale as today. Furthermore, because necessary economic safeguards had not been taken; spending was rampant; civilian supplies almost unlimited, savings at a rather low ebb and the collapse of the struggle at least half a year before anticipated, post war con-

ditions were far from salubrious; although actual economic and industrial suffering didn't take place immediately. The war ended November 11, 1918, and the slump didn't hit us until the fall of 1920.

Post war potentials for most industrials that can be speedily reconverted to peace time needs should be good. There are fewer strictly "war babies" in this war than there were in previous wars because of the simple expedient of converting established industries, whenever possible in lieu of setting up new industries. The new industry, whose existence depends wholly upon war, the exception in our present industrial picture, rather than the rule, is in for a sad time when the need for war goods ends. However, when peace comes armament will not cease. The echo of the cease firing bugle won't be the stop work whistle of war industry.

If the opinions of experts are of any value, and we have no others to guide us, war production will continue for some brief period after the war ends; standing armies will be greater than ever before and navies will continue to be strong with air forces on a comparable basis. The old era of going to war first and raising an army and equipping it later passed out of the picture when Hitler invaded Poland.

While this country will never be militaristic as such things are understood in Continental Europe, never again will we rely upon our potentialities or the fallacious reasoning that our will for peace is sufficient to insure peace. Armament industry will be a major American industry, on a reduced scale, of course from now on.

The shadows of things to come is broad; it covers the entire globe with this nation the most favored. Our domestic life will change but little. Gadgets we thought were indispensable to our happiness and which we had to forego during the war period will be available again; only improved and possibly made of different materials. The automobile supply will be low; the demand for new cars, automobile tires, radios, phonographs, typewriters, electric refrigerators; electric appliances; civilian airplanes and a myriad of other articles will be unusually high. Instead of approaching the saturation point, as econo-

DIVIDEND NOTICES

THE TEXAS COMPANY



159th Consecutive Dividend paid by The Texas Company and its predecessor.

A dividend of 50¢ per share or two per cent (2%) on par value of the shares of The Texas Company has been declared this day, payable on July 1, 1942, to stockholders of record as shown by the books of the company at the close of business on June 5, 1942. The stock transfer books will remain open.

L. H. LINDEMAN

May 26, 1942

Treasurer

A.C.F.

AMERICAN CAR AND FOUNDRY COMPANY

30 CHURCH STREET
NEW YORK, N. Y.

There has been declared, out of the earnings of the fiscal year ended April 30, 1942, a dividend of one and three-quarters per cent (1¾%) on the preferred capital stock of this Company, payable July 1, 1942 to the holders of record of said stock at the close of business June 19, 1942.

Transfer books will not be closed. Checks will be mailed by Guaranty Trust Company of New York.

CHARLES J. HARDY, President
HOWARD C. WICK, Secretary

June 4, 1942

INTERNATIONAL MINERALS & CHEMICAL CORPORATION

Chicago, May 27, 1942.

The Board of Directors has this day declared out of earnings a dividend of \$1.00 on the 4% Preferred Stock of the Corporation for the quarter ending June 30, 1942. The dividend is payable June 30, 1942, to stockholders of record at close of business June 22, 1942. The books will not close.

ROBERT P. RESCH, Treasurer.

LOEW'S INCORPORATED

"THEATRES EVERYWHERE"

June 5, 1942

THE Board of Directors on June 3rd, 1942 declared a dividend at the rate of 50¢ per share on the outstanding Common Stock of this Company, payable on the 30th day of June, 1942 to stockholders of record at the close of business on the 19th day of June, 1942. Checks will be mailed.

DAVID BERNSTEIN,
Vice President & Treasurer

ANACONDA COPPER MINING CO.

25 Broadway
New York, N. Y., May 28, 1942.

DIVIDEND NO. 136

The Board of Directors of the Anaconda Copper Mining Company has declared a dividend of Fifty Cents (50¢) per share upon its Capital Stock of the par value of \$50 per share, payable June 29, 1942, to holders of such shares of record at the close of business at 3 o'clock P.M., on June 9, 1942.

JAS. DICKSON, Secretary & Treasurer.

THE BELL TELEPHONE COMPANY OF CANADA

Notice of Dividend

A dividend of Two Dollars per share has been declared payable on the 15th day of July, 1942 to shareholders of record at the close of business on the 23rd of June, 1942.

F. G. WEBBER, Secretary.
Montreal, May 27, 1942.

mists feared a few years ago, depleted inventories and wear and tear of existing goods, will create a consumer market of the first magnitude. It must be borne in mind that we are now experiencing a plethora of consumer buying power with a minimum of available goods. For the first time in our modern history the inclination to buy, plus the cash to pay isn't sufficient. The buying habits of the American people won't change permanently. Prohibition will merely whet these appetites and, when it is generally realized that peace does not mean death of industry, but prolongation of employment, on a less hectic, but stable scale, purse strings will be opened widely and the demand for hard goods, especially, will be high.

Transportation methods will be improved; farmers will raise new crops and find new uses for old ones; wealth will be more evenly distributed and, if the war is carried to the type of conclusion the majority of people in the United Nations hope for, fear of invasion, transgression of the rights of others and deprivation of human civil rights will be replaced with equal opportunity for all nations and all people with equal access to most of the basic raw materials; with American money, American ingenuity and American labor, playing the major role in the greatest rehabilitation program the world has ever experienced.

Farm Equipments

(Continued from page 229)

an ever-increasing volume of arms.

Production of food and feed crops is no less vital to winning the war than the manufacture of armaments, as evidenced by the recently enacted "food for freedom" program calling for 1942 crops far above anything else previously witnessed in this country. Such a program calls for an abundance of farm machinery for planting, cultivating and harvesting crops, and for processing, transporting and storing farm products. That should and would guarantee a great demand for farm machinery—provided, of course, the WPB releases sufficient scarce materials for their production.

It is firmly believed, however,

that as the 1942 program gets under way, and it becomes evident that more and more farm machinery is needed to produce the desired crops, the Government will relent and allow more steel for their manufacture. Secretary of Agriculture Wickard has been devoting much of his time toward working out a solution with Donald Nelson's WPB to assure sufficient farm machinery, but so far nothing definite has been achieved other than a vague promise that after July 1 certain "adjustments" will be made. Farmers fear these "adjustments" may come too late; not give sufficient time for the manufacturers to produce the necessary machines and put them in the hands of the farmers for use. New metals, new chemicals and ersatz materials are expected to play a more or less important role in this dilemma, but no one knows to what extent even these substitutes will be available.

The shortage of farm hands anticipated during this summer and during the fall harvests will be a serious problem. Due to this manpower shortage every conceivable labor-saving device must be employed in the fields. It must be remembered that farm labor, called into armed service or won over to higher paying industrial employment is deserting the farm. This, according to some authorities, creates a more serious bottleneck in some sections of the country than any other single factor. There is a group, though, who insist shortages in equipment and replacement parts have been caused by hoarding. The WPB has the job of uncovering and utilizing these hoardings. Unless there is a definite upswing in available farm machinery it is a safe guess that the Government will probably ration certain types of farm machinery and equipment on the same basis as new automobiles or automobile tires, strictly on a premise of actual need.

Taking the nation as a whole the farmer has tended to spend a somewhat larger portion of his income for machinery and equipment during recent years. In the years from 1928 to 1940, farmers' expenditures for agricultural equipment averaged 4 per cent of their cash income. In the five years through 1940, however, the average was more than 5 per cent, whereas 4.3 per cent was

the highest percentage attained in any earlier year.

The level of farm prices, regardless of size of the crop (also an important yardstick in determining farm income), has an important influence on farm equipment sales, for two major reasons. While high farm product prices usually accompany a short crop the latter is rarely, if ever, uniformly short; some farms will realize good yields while the crops of others are half, or less, of normal. This, of course, means that some farmers fail to recover production expense, while others, favored by fair to good crops and high prices, receive higher incomes, and are usually good customers for the equipment salesmen. For that reason a rise in farm product prices serves to emphasize the advantage of mechanical over animal farming, often hampered by high priced feeds. With wheat at \$1 a bushel the net return to the grower employing mechanical power is twice that to one using animal power.

When you think of farm machinery and equipment it is well to remember that in the eighteenth century four-fifths of the people in America had to live on farms to produce enough food for themselves and for the other one-fifth of the population. But improvements in farm machinery and farming methods have increased the efficiency of farming so that less than one-fourth of the population now can provide food for itself, food for the other three-fourths, and a large surplus for export. The tremendous amount of tractors and other farm machinery have made it unnecessary to raise the quantity of feed crops formerly needed when all farms were operated with the aid of animals exclusively.

No forecast of export demand for the post-war period is possible, since such business will depend, of course, on world trade conditions and other factors abroad. But even the complete loss of outlets abroad, which is unexpected, would not be fatal to over-all sales volume of the industry, as the bulk of the business should continue here. On the other hand, if anything approximating pre-war foreign trade should prevail, or if there is an increase in the demand abroad for American-made farm machinery, it is easy to see that sales levels will be high, at least as high as those of recent years.

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